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MULTIFIELD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 898)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	3	55,780	603,593
Cost of sales		<u>(47,815)</u>	<u>(51,002)</u>
Gross profit		7,965	552,591
Other income and gains	3	14,197	15,917
Foreign exchange differences, net		(7,136)	14,243
Fair value gains on investment properties, net		1,047,423	211,363
Gain on disposal of investment properties		9,260	–
Gain on derecognition of properties for development		–	126,999
Operating and administrative expenses		(50,969)	(49,880)
Finance costs	5	<u>(42,551)</u>	<u>(34,393)</u>
PROFIT BEFORE TAX	4	978,189	836,840
Income tax expense	6	<u>(114,543)</u>	<u>(10,945)</u>
PROFIT FOR THE YEAR		<u>863,646</u>	<u>825,895</u>
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		732,554	651,494
Non-controlling interests		<u>131,092</u>	<u>174,401</u>
		<u>863,646</u>	<u>825,895</u>
EARNINGS PER SHARE ATTRIBUTABLE			
TO ORDINARY EQUITY HOLDERS			
OF THE COMPANY			
Basic and diluted	8	<u>HK17.52 cents</u>	<u>HK15.58 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	863,646	825,895
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent period:</i>		
Exchange differences on translation of foreign operations	<u>(215,728)</u>	<u>297,293</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>647,918</u>	<u>1,123,188</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	578,138	862,369
Non-controlling interests	<u>69,780</u>	<u>260,819</u>
	<u>647,918</u>	<u>1,123,188</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		212,971	224,960
Investment properties		9,799,130	9,005,730
Prepaid land lease payments		375	383
Club debenture		670	670
		<hr/>	<hr/>
Total non-current assets		10,013,146	9,231,743
		<hr/>	<hr/>
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Trade receivables	9	3,702	9,957
Prepayments, deposits and other receivables		237,677	249,060
Equity investments at fair value through profit or loss		1,240,329	1,481,034
Pledged deposits		–	570
Cash and cash equivalents		425,600	384,312
		<hr/>	<hr/>
Total current assets		2,189,159	2,406,784
		<hr/>	<hr/>
TOTAL ASSETS		12,202,305	11,638,527
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	1,858	1,245
Other payables and accruals		177,134	161,790
Deposits received		56,184	62,529
Interest-bearing bank and other borrowings		1,553,842	2,032,117
Tax payable		50,784	50,227
		<hr/>	<hr/>
Total current liabilities		1,839,802	2,307,908
		<hr/>	<hr/>
NET CURRENT ASSETS		349,357	98,876
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,362,503	9,330,619
		<hr/>	<hr/>

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	385,000	–
Amount due to a director	26,344	15,416
Deferred tax liabilities	<u>1,271,190</u>	<u>1,226,717</u>
 Total non-current liabilities	 <u>1,682,534</u>	 <u>1,242,133</u>
 Net assets	 <u>8,679,969</u>	 <u>8,088,486</u>
 EQUITY		
Equity attributable to owners of the Company		
Issued capital	41,804	41,804
Reserves	<u>6,959,028</u>	<u>6,437,325</u>
 Non-controlling interests	 <u>7,000,832</u>	 <u>6,479,129</u>
	<u>1,679,137</u>	<u>1,609,357</u>
 Total equity	 <u>8,679,969</u>	 <u>8,088,486</u>

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of Multifield International Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments (“HKFRS 9”)

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities and (2) expected credit losses (“ECL”) for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”).

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The application on HKFRS 15 has no material impact on the timing and amounts of revenue recognised in current year and retained earnings at 1 January 2018.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> ³
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance contracts</i> ⁴
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning for the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 16 *Leases* (“HKFRS 16”)

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating

lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK\$60,000. All of these commitments relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. The accounting for lessors will not significantly change. Hence, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (2017: three) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the provision of serviced apartment and property management services segment; and
- (c) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that unallocated corporate expenses, interest income on bank deposits, fair value gains/losses on investment properties, finance costs and other gains are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a director, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities are managed as these liabilities on a group basis.

There are no sales or other transactions between the operating segments during the year (2017: Nil).

Years ended 31 December 2018 and 2017

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	<u>187,378</u>	<u>181,695</u>	<u>35,394</u>	<u>33,212</u>	<u>(166,992)</u>	<u>388,686</u>	<u>55,780</u>	<u>603,593</u>
Segment results	<u>143,476</u>	<u>156,481</u>	<u>5,139</u>	<u>(15,458)</u>	<u>(168,899)</u>	<u>385,952</u>	<u>(20,284)</u>	<u>526,975</u>
<i>Reconciliation:</i>								
Unallocated corporate expenses							(29,856)	(10,021)
Interest income on bank deposits							1,681	887
Fair value gains on investment properties, net	1,047,423	211,363	-	-	-	-	1,047,423	211,363
Gain on disposal of investment properties	9,260	-	-	-	-	-	9,260	-
Other gains							12,516	15,030
Gain on derecognition of properties under development	-	126,999	-	-	-	-	-	126,999
Finance costs							(42,551)	(34,393)
Profit before tax							<u>978,189</u>	<u>836,840</u>
	Property investment		Provision of serviced apartment and property management services		Trading and investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,547,446	9,827,512	55,937	64,942	1,342,083	1,583,672	11,945,466	11,476,126
Unallocated assets							<u>256,839</u>	<u>162,401</u>
Total assets							<u>12,202,305</u>	<u>11,638,527</u>
Segment liabilities	132,057	121,238	26,329	26,570	305	140	158,691	147,948
<i>Reconciliation:</i>								
Unallocated liabilities							<u>3,363,645</u>	<u>3,402,093</u>
Total liabilities							<u>3,522,336</u>	<u>3,550,041</u>

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Depreciation and amortisation	5,958	6,295	598	1,116	-	-	96	210	6,652	7,621
Fair value gains on investment properties, net	1,047,423	211,363	-	-	-	-	-	-	1,047,423	211,363
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	-	-	-	-	(222,625)	334,942	-	-	(222,625)	334,942
Capital expenditure*	56,869	189,010	53	642	-	-	29	14	56,951	189,666

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

Geographical information

(a)	Hong Kong		Mainland China		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	(97,125)	455,294	152,905	148,299	55,780	603,593

The revenue information above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

(b)	Hong Kong		Mainland China		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,646,594	3,304,649	6,365,882	5,926,424	10,012,476	9,231,073

The non-current asset information above is based on the locations of assets and excludes financial instruments.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Rental income from property letting	187,378	181,695
Serviced apartment and property management	35,394	33,212
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(222,625)	334,942
Dividend income from listed investments	55,633	53,744
	<u>55,780</u>	<u>603,593</u>

Revenue from contracts with customers

(i) *Disaggregation of revenue from contracts with customers*

	2018 <i>HK\$'000</i>
Revenue recognised under HKFRS 15	
Serviced apartment and property management	<u>35,394</u>
Revenue recognised under other accounting standards	
Rental income from property letting	187,378
Fair value losses on equity investments at fair value through profit or loss, net	(222,625)
Dividend income from listed investments	<u>55,633</u>
	<u>20,386</u>
Total	<u><u>55,780</u></u>

(ii) *Performance obligations for contracts with customers*

Provision of serviced apartment and property management services

Revenue from provision of serviced apartment and property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these serviced apartment and property management services based on monthly statement issued by the Group using output method.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<u>Other income and gains</u>		
Interest income on bank deposits	1,681	887
(Loss)/gain on disposal of items of property, plant and equipment, net	(951)	835
Others	13,467	14,195
	<u>14,197</u>	<u>15,917</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of services provided	47,815	51,002
Depreciation	6,644	7,613
Amortisation of prepaid land lease payments	8	8
Minimum lease payments under operating leases for land and buildings	109	196
Auditors' remuneration – audit services	1,050	680
Gain on disposal of investment properties	9,260	–
Loss/(gain) on disposal of property, plant and equipment	951	(835)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	26,920	30,524
Foreign exchange differences, net	7,136	(14,243)
	<u>22,808</u>	<u>22,243</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	22,808	22,243
Pension scheme contributions (defined contribution scheme) (<i>Note</i>)	3,863	3,876
	<u>26,671</u>	<u>26,119</u>
Total staff costs	<u>26,671</u>	<u>26,119</u>

Note:

At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2017: Nil).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	42,551	34,393

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	2,572	1,941
Over provision in prior years	(223)	(56)
Current – Mainland China		
Charge for the year	11,530	13,480
Deferred tax	100,664	(4,420)
Total tax charge for the year	114,543	10,945

7. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend – HK0.6 cents (2017: HK0.6 cents) per ordinary share	25,082	25,082
Proposed final dividend – HK0.75 cents (2017: HK0.75 cents) per ordinary share	31,353	31,353
	56,435	56,435

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 29 May 2019, dividend warrants will be posted on or about 26 June 2019 to shareholders whose names appear on the register of members of the Company on 4 June 2019.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$732,554,000 (2017: HK\$651,494,000) and the weighted average number of ordinary shares of 4,180,371,092 (2017: 4,180,371,092) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

9. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	3,702	15,739
Impairment	—	(5,782)
	<u>3,702</u>	<u>9,957</u>

Trade receivables mainly consists of receivables from property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	2,355	1,776
1 to 2 months	387	505
2 to 3 months	259	220
Over 3 months	701	7,456
	<u>3,702</u>	<u>9,957</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	5,782	5,782
Amounts written off	(5,782)	–
	<hr/>	<hr/>
At end of year	–	5,782
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	1,816	1,133
1 to 2 months	–	25
2 to 3 months	–	–
Over 3 months	42	87
	<hr/>	<hr/>
	1,858	1,245
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2019; and
- (ii) from Wednesday, 5 June 2019 to Monday, 10 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 4 June 2019.

REVIEW OF OPERATION

During the year under review, the Group recorded a net profit of approximately HK\$864 million (2017: HK\$826 million).

The Group's rental income in Hong Kong recorded an increase of approximately 5% (2017: decrease of 5%).

The Group's rental income from hotel-serviced apartments and villas in Shanghai remains stable (2017: remains stable).

The Group's equity investments recorded fair value loss of approximately HK\$223 million (2017 gain of HK\$335 million). Equity investments recorded dividend income of approximately HK\$56 million (2017: HK\$54 million).

As the fair value gain of investment properties held by the Group is significantly higher (approximately 396%) than that for year 2017, the Group's consolidated profit after tax for the year ended 31 December 2018 is higher (approximately 5%) than that for the corresponding period in year 2017.

PROPERTY INVESTMENT

Hong Kong

The Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, retail shops and car parks. Benefited from increase in property market price in Hong Kong in 2018, the Group's investment properties portfolio contributed stable rental revenue of approximately HK\$69 million in 2018 (2017: HK\$66 million).

Occupation permit has been issued by Buildings Department on 6 July 2018 to the Group's new building at 54 Wong Chuk Hang Road. It is expected that the new building will provide a new and stable source of income to the Group.

Shanghai, China

The Group's properties portfolio in Shanghai, China is divided into three residential complexes, comprising of around 182 blocks of hotel-serviced villas and 132 hotel-serviced apartments respectively. The properties in Shanghai are operated under the name of "Windsor Renaissance", which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai, and are well recognised by consulates and foreign business entities. The Shanghai properties have an average occupancy rate of approximately 90%, and generates rental and management fee revenue of approximately HK\$152 million in 2018 (2017: HK\$148 million).

Zhuhai, China

Zhuhai Qianshan

The Group's 36,808 square meters of commercial-use land in Qianshan ("Qianshan Land") is under relocation progress. In July 2015, a new relocation policy transferred the responsibility of relocation from Land Department ("國土局") to Xiangzhou District Government (香洲區政府). In support of Xiangzhou District Government's relocation work, the Group proposed to apportion a part of Qianshan Land to accommodate the relocation of demolished households. The Town Planning Department ("規劃局") supports the Group's proposal in principle, and so in July 2018, the Group submitted a plan to Xiangzhou District Government, Land Department and Town Planning Department to alter the town plan of Qianshan Land to accommodate for relocation of demolished households. The Land Department and Town Planning Department replied they will implement the Group's proposed plan after Xiangzhou District Government have conducted a study and Zhuhai Municipal Government ("珠海市政府") have given its approval.

Zhuhai Doumen

The Group holds a parcel of exhibition and commercial-use land located in Doumen district, Zhuhai, the PRC ("Doumen Land"). Doumen District Government ("斗門區政府") had proposed to buy back Doumen Land from the Group due to a change in town planning and had offered a compensation to the Group. However, the land certificate of Doumen Land was rescinded by Doumen District Government prior to reaching a consensus on compensation.

The management of the Group questions the legality of Doumen District Government's actions regarding the change in town planning of Doumen Land and the unfair process of rescinding the land certificate. The Group have appealed to the Supreme People's Court for retrial in March 2018, and the case is currently under review.

The Group also filed for administrative reconsideration against Zhuhai Municipal Government regarding the unfair compensation decision on Doumen Land, which was a result of unjust valuation method. In response, the Land Department is reviewing the validity of its administrative actions and have canceled the original compensation decision. Since then, Doumen District Government and the Group have mutually appointed an independent property valuer to reassess the compensation valuation of Doumen Land.

The Group is engaged in ongoing legal proceedings with the government up to the date of approval of these consolidated financial statements. And though the outcome of litigation is uncertain and the amount of the compensation is yet to be concluded, it is not expected to cause a material negative impact on the daily operations or trading position of the Group.

FINANCIAL INVESTMENTS

Worldwide economy and stocks markets were volatile in 2018.

As of 31 December 2018, the Group held approximately HK\$1,240 million (2017: HK\$1,481 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group for long-term investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value loss of approximately HK\$223 million (2017: gain of HK\$335 million) when marking the investment portfolios to market valuation as of 31 December 2018, and dividend income of approximately HK\$56 million (2017: HK\$54 million).

The equity investments held by the Group as at 31 December 2018 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2018 '000	Percentage of shareholding as at 31 December 2018 %	Fair value gain/(loss) for the year ended 31 December 2018 HK\$'000	Dividend income for the year ended 31 December 2018 HK\$'000	Fair value/carrying amount as at 31 December 2018 HK\$'000
2800	Tracker Fund of Hong Kong	16,250	0.51	(65,000)	15,438	423,313
5	HSBC Holdings plc	5,743	0.03	(87,001)	22,969	372,124
2828	Hang Seng H-Share Index ETF	2,664	0.88	(42,091)	8,258	272,794
3988	Bank of China Limited	29,300	0.04	(13,478)	6,199	99,034
941	China Mobile Limited	340	0.00	(1,326)	1,159	25,619
2628	China Life Insurance Company Limited	1,000	0.01	(7,910)	489	16,640
857	PetroChina Co. Ltd.	2,378	0.01	(1,355)	419	11,604
	Other listed securities [#]			(4,464)	702	19,201
				<u>(222,625)</u>	<u>55,633</u>	<u>1,240,329</u>

[#] Other listed securities mainly represented the Group's investment in 14 companies whose shares were mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2018.

As at 31 December 2018, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may be affected by worldwide economy, volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes in market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2018, the Group has not entered into any financial instrument for foreign currency hedging purpose.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and/or debt investments of approximately HK\$1,240 million (2017: HK\$1,481 million) as of 31 December 2018. The Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$426 million (2017: HK\$384 million).

As of 31 December 2018, the Group had total bank and other borrowings amounting to approximately HK\$1,939 million (2017: HK\$2,032 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and Shanghai, and certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Group as at 31 December 2018, ignoring the effect of any repayment on-demand clause, was as follows:

	<i>HK\$'000</i>
Within one year	1,352,517
In the second year	214,553
In the third to fifth years, inclusive	<u>371,772</u>
Total	<u><u>1,938,842</u></u>

With the total bank and other borrowings of approximately HK\$1,939 million (2017: HK\$2,032 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$10,619 million (2017: HK\$10,121 million), the Group's gearing ratio as at 31 December 2018 was around 18% (2017: 20%).

CONTINGENT LIABILITY

As of 31 December 2018, the Group had no material contingent liability.

COMMITMENTS

As at 31 December 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$43 million (2017: HK\$104 million).

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2018, the Group had approximately 220 employees in Shanghai, Zhuhai and Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$27 million (2017: HK\$26 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

PROSPECT

The US Federal Reserve had increased the interest rate 4 times in 2018 (in March 2018, June 2018, September 2018 and December 2018 respectively.). As Hong Kong dollar is pegged to the United States dollar, Hong Kong may also increase its interest rate in the future. These factors may exert pressure on price of equity investments held by the Group, particularly in high-yield equity investments. Besides, the potential risks from Chinese economy may have a significant impact on Hong Kong's rental market.

The Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as stock market volatility, interest rate hikes and increased supply in government subsidized housing may also hinder the Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company (the “Director(s)”), the Company has applied the principals and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 25 May 2018 (the “2018 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2018 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2018 AGM.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The audit committee’s terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code.

As of the date of this announcement, the audit committee comprises three independent non-executive Directors, namely, Mr. Lee Siu Man, Ervin, Mr. Wong Yim Sum and Mr. Tsui Ka Wah. The chairman of the audit committee, Mr. Wong Yim Sum, has extensive experience in the finance and auditing fields.

In the presence of the representatives of the Company’s independent external auditors, the Group’s audited consolidated financial statements for the year ended 31 December 2018 have been reviewed by the audit committee, and with recommendation to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company during the year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (www.irasia.com/listco/hk/multifield/index.htm) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

BOARD OF DIRECTORS

As of the date of this announcement, the executive Directors are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive Directors are Mr. Lee Siu Man, Ervin, Mr. Wong Yim Sum and Mr. Tsui Ka Wah.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 28 March 2019