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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2017

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the financial year ended 31st December, 2017 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2016 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	<i>Notes</i>	2017	2016
		HK\$’000	HK\$’000
Revenue	3	1,516,655	3,745,148
Cost of sales		(546,813)	(1,597,606)
Gross profit		969,842	2,147,542
Other income	5	132,020	102,914
Investment income, net	6	2,701,708	3,038,649
Administrative expenses		(279,254)	(331,484)
Gain on disposals of equipment, net		1,832	216
Fair value changes on investment properties		564,502	139,216
Finance costs	8	(295,173)	(176,505)
Other gains and losses, net	9	140,283	2,176,425
Share of results of associates		189,922	161,182
Profit before tax		4,125,682	7,258,155
Income tax expense	10	(327,049)	(564,966)
Profit for the year	7	3,798,633	6,693,189

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the year ended 31st December, 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income (expenses)			
<i>Items that will not be reclassified to profit or loss</i>			
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income		12,217,167	(2,368,729)
Share of other comprehensive income of associates		306	91
		<u>12,217,473</u>	<u>(2,368,638)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		405,284	(570,994)
Reclassification adjustment related to foreign operations disposed of		409	9,053
Share of other comprehensive income (expenses) of associates		16,658	(11,063)
		<u>422,351</u>	<u>(573,004)</u>
Other comprehensive income (expenses) for the year (net of tax)		<u>12,639,824</u>	<u>(2,941,642)</u>
Total comprehensive income for the year		<u><u>16,438,457</u></u>	<u><u>3,751,547</u></u>
Profit for the year attributable to:			
Owners of the Company		3,708,886	6,360,312
Non-controlling interests		89,747	332,877
		<u>3,798,633</u>	<u>6,693,189</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		16,348,710	3,418,670
Non-controlling interests		89,747	332,877
		<u>16,438,457</u>	<u>3,751,547</u>
Earnings per share (HK\$)			
Basic and diluted	12	<u>1,944</u>	<u>3.334</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investment properties		15,649,991	12,887,253
Property, plant and equipment		43,117	45,430
Intangible assets		-	-
Goodwill		322,938	322,938
Interests in associates		2,115,228	1,955,120
Advances to associates		49,199	49,485
Financial assets measured at fair value through profit or loss	13	2,049,276	373,050
Financial assets measured at fair value through other comprehensive income	14	24,141,960	5,442,591
Advances to investee companies		605,204	596,354
Advance to a non-controlling shareholder		14,908	14,908
Other receivables	15	-	1,102,338
Deferred tax assets		2,419	2,692
Pledged deposits		90,541	13,884
		<u>45,084,781</u>	<u>22,806,043</u>
Current assets			
Stock of properties		296,513	1,273,474
Financial assets measured at fair value through profit or loss	13	8,759,356	14,642,623
Inventories		2,660	2,860
Debtors, deposits, other receivables and prepayments	15	916,113	4,722,891
Securities trading receivables and deposits		112,611	27,327
Tax recoverable		2,155	3,991
Pledged deposits		172,972	929,879
Time deposits, bank balances and cash		659,402	1,070,471
Sales proceeds held by stakeholders		56,792	296,176
		<u>10,978,574</u>	<u>22,969,692</u>
Current liabilities			
Creditors and accruals	16	345,201	408,702
Securities trading and margin payable		116,983	9,245
Deposits and receipts in advance		241,168	252,132
Tax liabilities		316,502	294,511
Borrowings		12,763,546	10,797,503
		<u>13,783,400</u>	<u>11,762,093</u>
Net current (liabilities) assets		<u>(2,804,826)</u>	<u>11,207,599</u>
Total assets less current liabilities		<u>42,279,955</u>	<u>34,013,642</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31st December, 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Equity attributable to owners of the Company			
Share capital		190,762	190,762
Properties revaluation reserve		-	18,632
Financial assets measured at fair value through other comprehensive income reserve		10,204,417	(2,255,201)
Statutory reserve		668	668
Other reserve		-	(2,378)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		138,062	138,062
Translation reserve		(308,253)	(728,226)
Retained profits			
- proposed final dividend		190,762	19,076
- special interim dividends declared		-	3,815,238
- others		23,469,813	26,107,898
		36,385,916	29,804,216
Non-controlling interests		107,086	95,639
Total equity		36,493,002	29,899,855
Non-current liabilities			
Borrowings		3,709,467	3,793,891
Loan from a director	17	1,835,500	-
Amounts due to associates		142,419	110,269
Amounts due to non-controlling shareholders		49,202	84,761
Deferred tax liabilities		50,365	124,866
		5,786,953	4,113,787
		42,279,955	34,013,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2017

1. Basis of Preparation

These consolidated 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”) and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

As at 31st December, 2017, the Group’s current liabilities exceeded its current assets by approximately HK\$2,804,826,000. Notwithstanding the above result, the consolidated financial statements have been prepared on a going concern basis.

The management closely monitors the Group’s financial performance and liquidity position. The validity of the going concern basis is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its financial obligations as and when they fall due, its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

As at 31st December, 2017, the Group had unutilised bank facilities. Based on the latest communications with the banks, the directors of the Company (“Directors”) are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the Directors believe that the existing bank facilities will be renewed or roll-overed when their current terms expire given the good track records and relationships the Group has with the banks. Further, the Group has unutilised loan facilities from a Director. In addition, the Group held a portfolio of listed securities investments and treasury products presented as non-current assets as at 31st December, 2017 in aggregate of approximately HK\$25,090,117,000, which could be realised into cash, if necessary.

The Directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31st December, 2017. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31st December, 2017. The management has made key assumptions on the projections with regard to the anticipated cash flows from the Group’s operations, capital expenditures and the continuous availability of bank facilities. The Group’s ability to achieve the projected cash flows depends on the continuous availability of bank facilities from its banks.

In the view of the above, the Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

These consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

2. Application of New and Amended HKFRSs

The accounting policies adopted in these consolidated financial statements for the Year are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2016 except as described below.

In the current year, the Group has applied, for the first time, the following amendments to existing HKFRSs (“Amendments”) issued by the HKICPA, which are effective for current financial year of the Group. The Amendments adopted by the Group in these consolidated financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

2. Application of New and Amended HKFRSs (continued)

Amendments to HKAS 7 Disclosure Initiative

The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The application of the Amendments had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs, new interpretations and amendments to existing HKFRSs (“new and amended HKFRSs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments) ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ²
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9 (Amendments)	Clarifications to HKFRS 9 ²
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
HKAS 28 (2011) (Amendments)	Long-term Interests in Associates and Joint Ventures ²
HKAS 40 (Amendments)	Transfers of Investment Property ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2019

³ Effective for annual periods beginning on or after 1st January, 2021

⁴ Effective for annual periods beginning on or after a date to be determined

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Directors are currently assessing the effects of applying HKFRS 15 and, at this stage, the Directors anticipate that the application of HKFRS 15 would not result in any significant impact on the results and financial position of the Group.

2. Application of New and Amended HKFRSs (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors.

As at 31st December, 2017, the Group has non-cancellable operating lease commitments of approximately HK\$41,812,000. A preliminary assessment indicates that these lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise right-of-use assets and corresponding liabilities in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Save as described above, the Directors are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group's results of operations and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts received and receivable from property rental income, sales of properties held for sale, gain/loss on sales of investments held-for-trading, commission from brokerage, settlement charges from brokerage, cosmetic goods sold less returns and interest income from loan financing, are analysed as follows:

	2017	2016
	HK\$'000	HK\$'000
Property rental income	505,743	823,856
Sales of properties held for sale	990,106	2,943,434
Loss on sales of investments held-for-trading, net	-	(37,434)
Brokerage and cosmetic income	20,748	15,240
Interest income from loan financing	58	52
	<u>1,516,655</u>	<u>3,745,148</u>

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has six reportable segments – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed equity investments at fair value through other comprehensive income (“FVTOCI”); (v) listed investments and treasury products at fair value through profit or loss (“FVTPL”); and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed equity investments at FVTOCI	–	Listed equity securities at FVTOCI
Listed investments and treasury products at FVTPL	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are unrealised fair value changes on investment properties and other properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

Unallocated corporate assets mainly comprised leasehold land and building for own use, advance to a non-controlling shareholder, deferred tax assets and tax recoverable (2016: also included deferred consideration receivables in respect of disposals of subsidiaries and deposit paid in respect of a property).

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, loan from a director, amounts due to associates, amounts due to non-controlling shareholders and deferred tax liabilities.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2016.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different markets and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and results are attributed to countries on the basis of the property or asset location.

There were three major customers (2016: one) who individually accounted for 10% or more of the Group’s revenue. Revenues of approximately HK\$321,160,000 and HK\$186,620,000 were derived from property development and trading segment in Hong Kong from each of the two customers, and revenue of approximately HK\$175,744,000 was derived from non-retail property leasing segment outside Hong Kong from a customer (2016: HK\$377,836,000 was derived from property development and trading segment in Hong Kong from a customer).

4. Operating Segments (continued)

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2017

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	9,150,032	-	-	9,150,032
- Other countries	-	-	-	-	1,172,645	-	-	1,172,645
	-	-	-	-	10,322,677	-	-	10,322,677
Revenue								
Revenue from external customers								
- Hong Kong	990,106	49,293	132,878	-	-	10,516	10,290	1,193,083
- United Kingdom	-	35,053	285,597	-	-	-	-	320,650
- Mainland China	-	2,922	-	-	-	-	-	2,922
	990,106	87,268	418,475	-	-	10,516	10,290	1,516,655
Revenue from external customers after non-controlling interests								
	752,590	86,474	418,162	-	-	10,516	10,290	1,278,032
Attributable property sales from associates/investee company								
- Hong Kong	134,637	-	-	-	-	-	-	134,637
Attributable rental revenue from associates/investee company								
- Hong Kong	-	19,996	33,868	-	-	-	-	53,864
- Mainland China	-	78,969	9,626	-	-	-	-	88,595
	887,227	185,439	461,656	-	-	10,516	10,290	1,555,128
Result								
Segment result								
- Hong Kong	467,611	44,043	130,819	164,110	1,567,666	18,221	21,151	2,413,621
- United Kingdom	-	34,031	280,018	-	-	41	-	314,090
- Mainland China	-	2,630	-	-	-	1,958	-	4,588
- Other countries	-	-	-	-	183,850	792	-	184,642
	467,611	80,704	410,837	164,110	1,751,516	21,012	21,151	2,916,941
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	87,736	-	-	-	-	-	-	87,736
- Attributable gross income								
- Hong Kong	-	19,184	32,636	-	-	-	2,276	54,096
- Mainland China	-	78,969	9,626	-	-	-	-	88,595
- Attributable operating cost								
- Hong Kong	-	(917)	(7,641)	-	-	-	-	(8,558)
- Mainland China	-	(31,382)	(2,781)	-	-	-	-	(34,163)
Non-controlling interests	(101,129)	(640)	(256)	-	-	-	-	(102,025)
	454,218	145,918	442,421	164,110	1,751,516	21,012	23,427	3,002,622
Other income	14,725	-	-	-	-	-	-	14,725
Finance costs	-	-	-	(86,287)	(104,358)	-	-	(190,645)
Other gains and losses, net	(3,830)	-	-	-	-	-	-	(3,830)
Share of results of associates								
- income tax and others	(9,238)	(40,709)	(31,311)	-	-	-	(477)	(81,735)
Income tax expense	-	-	-	(16,302)	-	-	-	(16,302)
	455,875	105,209	411,110	61,521	1,647,158	21,012	22,950	2,724,835
Unallocated items								
Unallocated corporate expenses, net								(178,115)
Unallocated finance costs								(104,528)
Imputed interest income from deferred consideration receivables								772,584
Gains on disposals of subsidiaries								144,126
Unallocated income tax expense								(308,640)
Unallocated non-controlling interests								12,278
Operating profit for the year attributable to owners of the Company								3,062,540
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								648,453
- Deferred tax expense								(2,107)
Profit for the year attributable to owners of the Company								3,708,886
Core profit (excluding major non-cash items)								
Operating profit for the year attributable to owners of the Company								3,062,540
Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties and stock of properties in current year (including fair value changes recognised in properties revaluation reserve) after non-controlling interest								
- Recognised in prior years								336,182
Core profit for the year attributable to owners of the Company								3,398,722

4. Operating Segments (continued)
Consolidated Statement of Financial Position
At 31st December, 2017

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	1,527,289	2,113,870	4,765,842	23,110,731	8,683,598	489,120	67,742	40,758,192
- United Kingdom	-	1,684,765	8,174,205	-	-	-	-	9,858,970
- Mainland China	216,054	-	29,510	-	-	2,967	6,023	254,554
- Other countries	-	-	-	-	2,286,336	690,927	-	2,977,263
Interests in associates								
- Hong Kong	100,367	396,709	1,408,461	-	-	2,322	7,404	1,915,263
- Mainland China	-	140,367	59,598	-	-	-	-	199,965
Advances to associates								
- Hong Kong	1,047	-	77	-	-	2	1,151	2,277
- Mainland China	-	32,937	13,985	-	-	-	-	46,922
Reportable segment assets	1,844,757	4,368,648	14,451,678	23,110,731	10,969,934	1,185,338	82,320	56,013,406
Unallocated corporate assets								49,949
Consolidated total assets								56,063,355
Liabilities								
Segment liabilities								
- Hong Kong	266,001	21,705	74,995	4,604,773	4,602,587	119,839	6,552	9,696,452
- United Kingdom	-	15,759	194,798	-	-	-	-	210,557
- Mainland China	407	-	17	-	-	5	80	509
- Other countries	-	-	14	-	669,469	11	-	669,494
Reportable segment liabilities	266,408	37,464	269,824	4,604,773	5,272,056	119,855	6,632	10,577,012
Unallocated corporate liabilities								8,993,341
Consolidated total liabilities								19,570,353
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	-	1,424	1,783,806	-	-	30	855	

Other Material Items

For the year ended 31st December, 2017

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income HK\$'000
Interest income	919,110	772,584	-	1,691,694
Finance costs	(190,645)	(104,528)	-	(295,173)
Net income	728,465	668,056	-	1,396,521
Depreciation	-	(8,680)	-	(8,680)
Fair value changes on investment properties	-	-	564,502	564,502
Write-down of stock of properties	(3,830)	-	-	(3,830)
Share of results of associates	105,971	-	83,951	189,922
Income tax expense	(16,302)	(308,640)	(2,107)	(327,049)
Non-controlling interests	(102,025)	12,278	-	(89,747)

4. Operating Segments (continued)
Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	10,001,356	-	-	10,001,356
- Other countries	-	-	-	-	2,087,530	-	-	2,087,530
	-	-	-	-	12,088,886	-	-	12,088,886
Revenue								
Revenue from external customers								
- Hong Kong	2,943,434	236,492	269,787	-	(37,434)	4,191	11,101	3,427,571
- United Kingdom	-	23,654	236,356	-	-	-	-	260,010
- Mainland China	-	38,531	19,036	-	-	-	-	57,567
	2,943,434	298,677	525,179	-	(37,434)	4,191	11,101	3,745,148
Revenue from external customers after non-controlling interests	2,209,162	297,498	524,759	-	(37,434)	4,191	11,101	3,009,277
Attributable property sales from associates								
- Hong Kong	89,713	-	-	-	-	-	-	89,713
Attributable rental revenue from associates/investee company								
- Hong Kong	-	20,433	39,281	-	-	-	-	59,714
- Mainland China	-	67,308	8,112	-	-	-	-	75,420
	2,298,875	385,239	572,152	-	(37,434)	4,191	11,101	3,234,124
Result								
Segment result								
- Hong Kong	1,402,255	228,673	272,961	189,653	704,720	26,083	23,368	2,847,713
- United Kingdom	-	22,906	230,691	-	-	304	-	253,901
- Mainland China	-	35,519	16,637	-	-	4,053	-	56,209
- Other countries	-	-	-	-	216,385	-	-	216,385
	1,402,255	287,098	520,289	189,653	921,105	30,440	23,368	3,374,208
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	5,119	-	-	-	-	-	-	5,119
- Attributable gross income								
- Hong Kong	-	19,507	38,078	-	-	-	2,330	59,915
- Mainland China	-	67,308	8,112	-	-	-	-	75,420
- Attributable operating cost								
- Hong Kong	-	(793)	(6,557)	-	-	-	-	(7,350)
- Mainland China	-	(28,135)	(2,597)	-	-	-	-	(30,732)
Non-controlling interests	(392,395)	(1,057)	(376)	-	-	-	-	(393,828)
	1,014,979	343,928	556,949	189,653	921,105	30,440	25,698	3,082,752
Finance costs	-	(1,658)	(70,241)	-	(16,123)	-	-	(88,022)
Other gains and losses, net	(134,542)	(160)	-	-	-	-	-	(134,702)
Share of results of associates								
- income tax and others	(28)	(31,549)	(5,644)	-	-	-	(465)	(37,686)
Income tax expense	-	-	-	(19,117)	(117)	-	-	(19,234)
	880,409	310,561	481,064	170,536	904,865	30,440	25,233	2,803,108
Unallocated items								
Unallocated corporate expenses, net								(248,247)
Unallocated finance costs								(88,483)
Imputed interest income from deferred consideration receivables								1,831,876
Gains on disposals of subsidiaries								2,311,127
Unallocated income tax expense								(514,832)
Unallocated non-controlling interests								60,951
Operating profit for the year attributable to owners of the Company								6,155,500
Realised fair value changes on disposals of investment properties (including share of results of associates)								(372,677)
- Recognised in current year								(372,677)
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								608,389
- Deferred tax expense								(30,900)
Profit for the year attributable to owners of the Company								6,360,312
Core profit (excluding major non-cash items)								6,155,500
Operating profit for the year attributable to owners of the Company								6,155,500
Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties and stock of properties in current year (including fair value changes recognised in properties revaluation reserve and share of results of associates) after non-controlling interest								(372,677)
- Recognised in current year								(372,677)
- Recognised in prior years								17,248,651
Core profit for the year attributable to owners of the Company								23,031,474

4. Operating Segments (continued)
Consolidated Statement of Financial Position
At 31st December, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	2,322,983	3,635,368	4,037,319	4,559,729	13,695,381	364,102	56,246	28,671,128
- United Kingdom	-	1,508,649	5,551,717	-	-	-	-	7,060,366
- Mainland China	-	388,955	27,045	-	-	-	6,133	422,133
- Other countries	-	11	-	-	1,577,011	693,763	-	2,270,785
Interests in associates								
- Hong Kong	81,330	373,778	1,318,165	-	-	2,368	5,637	1,781,278
- Mainland China	-	120,649	53,193	-	-	-	-	173,842
Advances to associates								
- Hong Kong	1,139	-	210	-	-	5	1,145	2,499
- Mainland China	-	32,611	14,375	-	-	-	-	46,986
Reportable segment assets	<u>2,405,452</u>	<u>6,060,021</u>	<u>11,002,024</u>	<u>4,559,729</u>	<u>15,272,392</u>	<u>1,060,238</u>	<u>69,161</u>	<u>40,429,017</u>
Unallocated corporate assets								<u>5,346,718</u>
Consolidated total assets								<u><u>45,775,735</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	430,034	23,413	62,451	44	7,193,900	11,895	12,480	7,734,217
- United Kingdom	-	13,399	103,813	-	-	-	-	117,212
- Mainland China	-	11,611	25	-	-	-	80	11,716
- Other countries	-	1	15	-	2,700,203	7	-	2,700,226
Reportable segment liabilities	<u>430,034</u>	<u>48,424</u>	<u>166,304</u>	<u>44</u>	<u>9,894,103</u>	<u>11,902</u>	<u>12,560</u>	<u>10,563,371</u>
Unallocated corporate liabilities								<u>5,312,509</u>
Consolidated total liabilities								<u><u>15,875,880</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>328</u>	<u>1,592,723</u>	<u>1,998,998</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>738</u>	

Other Material Items

For the year ended 31st December, 2016

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for realised fair value changes HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income HK\$'000
Interest income	934,720	1,831,876	-	-	2,766,596
Finance costs	(88,022)	(88,483)	-	-	(176,505)
Net income	846,698	1,743,393	-	-	2,590,091
Depreciation	-	(10,304)	-	-	(10,304)
Fair value changes on investment properties	-	-	(415,763)	554,979	139,216
Write-down of stock of properties	(128,457)	-	-	-	(128,457)
Share of results of associates	64,686	-	43,086	53,410	161,182
Income tax expense	(19,234)	(514,832)	-	(30,900)	(564,966)
Non-controlling interests	(393,828)	60,951	-	-	(332,877)

5. Other Income

	2017 HK\$'000	2016 HK\$'000
Included in other income are:		
Building management fee income	34,675	80,252
Building management fee expenses	(16,700)	(60,359)
	17,975	19,893
Rental services income	11,681	21,275
Property management services, leasing administration services and property administration services income	52,208	40,371
Asset management and maintenance services income	973	2,354
Advisory and consultancy services income	46	306
Consultancy fee income	12,073	225
Exchange gain, net	11,847	-
Reversal of impairment in respect of other receivable and interest thereon	4,687	3,494
Forfeiture of deposits received on sales of stock of properties	14,725	460

6. Investment Income, Net

	2017 HK\$'000	2016 HK\$'000
Financial assets measured at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value of bonds	600,296	(126,183)
Realised gain arising on change in fair value of bonds		
- Change in fair value	179,505	139,965
- Exchange component of change	47,488	2,999
Net gain arising on change in fair value of bonds	827,289	16,781
Unrealised gain (loss) arising on change in fair value of club debentures, net	7,082	(269)
Loss on disposal of a club debenture	-	(53)
Other investment income, net	14,370	15,520
Dividends income on:		
Listed investments	163,018	192,335
Unlisted investments	1,092	50,502
Interest income	1,688,857	2,763,833
	2,701,708	3,038,649

Interest income mainly included interest income from bonds of approximately HK\$910,949,000 (2016: HK\$923,556,000) and imputed interest income from deferred consideration receivables of approximately HK\$772,584,000 (2016: HK\$1,831,876,000) of which approximately HK\$631,402,000 (2016: HK\$1,126,565,000) was arose from repayment of the deferred consideration receivables before their respective maturity date.

7. Profit for the Year

	2017 HK\$'000	2016 HK\$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(170,862)	(185,798)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$213,000 (2016: HK\$297,000)	(9,817)	(9,502)
	(180,679)	(195,300)
Auditors' remuneration:		
Auditors of the Company		
- Current year	(2,050)	(2,306)
Other auditors		
- Current year	(467)	(581)
- Overprovision (underprovision) in prior years	122	(150)
Depreciation	(8,680)	(10,304)
Exchange loss, net	-	(25,493)
Cost of trading properties recognised	(420,044)	(1,296,535)
Cost of cosmetic products recognised	(3,625)	(3,717)
Share of tax of associates (included in share of results of associates)	(49,600)	(11,070)
Gross proceeds on disposals of investments held-for-trading	-	608,587
Carrying amount of investments held-for-trading disposed of	-	(644,717)
Transaction costs on investments held-for-trading disposed of	-	(1,304)
Net loss on disposals of investments held-for-trading included in revenue	-	(37,434)
Gross rental income from investment properties	505,743	823,856
Less: Direct operating expenses from investment properties that generated rental income during the year	(11,182)	(42,112)
Direct operating expenses from investment properties that did not generate rental income during the year	(3,020)	(4,357)
	491,541	777,387

8. Finance Costs

	2017 HK\$'000	2016 HK\$'000
Interest on:		
Bank borrowings	96,362	152,644
Other borrowings	138,409	77,347
Total interest	234,771	229,991
Exchange loss (gain) on translation of foreign currency other borrowings, net	52,236	(61,224)
Other finance costs	8,306	10,251
	295,313	179,018
Less: Interest capitalised to stock of properties under development held for sale	(140)	(2,513)
	295,173	176,505

During the Year, the Group has capitalised borrowing costs at a rate of 2.58% (2016: 2.28%) per annum amounting to approximately HK\$140,000 (2016: HK\$2,513,000) on qualifying assets.

9. Other Gains and Losses, Net

	2017 HK\$'000	2016 HK\$'000
Included in other gains and losses, net are:		
Gain on disposal of subsidiaries - Pinecrest Group (<i>note (i)</i>)	114,368	-
Gain on disposal of subsidiaries - Win Kings Group (<i>note (ii)</i>)	28,958	-
Gain on disposal of a subsidiary - Union Wings (<i>note (iii)</i>)	800	-
Write-down of stock of properties	(3,830)	(128,457)
Gain on disposal of a subsidiary - Pioneer Time (<i>note (iv)</i>)	-	1,276,903
Gain on disposal of a subsidiary - Evergo Shanghai (<i>note (v)</i>)	-	721,294
Gain on disposals of subsidiaries - Windsor Group (<i>note (vi)</i>)	-	312,930
Impairment loss recognised in respect of interest in and advance to an associate, net	-	(6,083)
Underprovision for rental guarantee (<i>note (vii)</i>)	-	(160)
	114,368	(160)

Notes:

- (i) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Pinecrest International Limited ("Pinecrest"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively "Pinecrest Group") ("Pinecrest Disposal") on 10th February, 2017. At the time of disposal, the Pinecrest Group held certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China ("PRC"). Details of the Pinecrest Disposal are set out in Note 18(a).
- (ii) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Win Kings Holding Ltd. ("Win Kings"), an indirect wholly-owned subsidiary of the Company, and its subsidiary (collectively "Win Kings Group") ("Win Kings Disposal") on 10th February, 2017. At the time of disposal, the Win Kings Group held a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong. Details of the Win Kings Disposal are set out in Note 18(b).
- (iii) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Union Wings Investments Limited ("Union Wings"), an indirect wholly-owned subsidiary of the Company ("Union Wings Disposal") on 24th July, 2017. At the time of disposal, Union Wings held a vehicle registration mark registered in Hong Kong. Details of the Union Wings Disposal are set out in Note 18(d).
- (iv) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Pioneer Time Investment Limited ("Pioneer Time"), an indirect wholly-owned subsidiary of the Company ("Pioneer Time Disposal") on 15th January, 2016. At the time of disposal, Pioneer Time held the property known as MassMutual Tower (now known as China Evergrande Centre) in Hong Kong.
- (v) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Evergo Real Estate (Shanghai) Company Limited ("Evergo Shanghai"), an indirect wholly-owned subsidiary of the Company ("Evergo Shanghai Disposal") on 22nd June, 2016. At the time of disposal, Evergo Shanghai held the property known as Evergo Tower in Shanghai, the PRC.
- (vi) Gain on disposals of subsidiaries arose from the disposals of the Group's entire issued share capital of Keep Speed Company Limited and Jumbo Grace Limited ("Jumbo Grace"), both are indirect wholly-owned subsidiaries of the Company, and Jumbo Grace's subsidiary (collectively "Windsor Group") ("Windsor Disposal") on 1st September, 2016. At the time of disposals, the Windsor Group held the property known as Windsor House in Hong Kong.
- (vii) The amount represented underprovision for rental guarantee provided to purchasers of certain shops or units of an investment property in Hong Kong disposed of in prior years.

10. Income Tax Expense

	2017 HK\$'000	2016 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	234,131	325,491
Other than Hong Kong	73,382	178,395
	307,513	503,886
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	(288)	(700)
Other than Hong Kong	6,774	28,212
	6,486	27,512
Deferred tax:		
Current year charge	13,050	33,568
	327,049	564,966

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the Year. The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. Dividends

	2017 HK\$'000	2016 HK\$'000
(a) Final dividend for 2016 paid on 12th June, 2017 of HK1 cent (2015: HK1 cent) per share	19,076	19,076
(b) Interim dividend for 2017 paid on 13th September, 2017 of HK20 cents (2016: HK1 cent) per share	381,524	19,076
(c) Special interim dividends for 2016 of HK\$1.36 per share and 2017 of HK\$0.64 per share paid on 10th February, 2017 of HK\$2 in aggregate per share	3,815,238	-
(d) Special interim dividend for 2017 paid on 23rd June, 2017 of HK\$2.91 per share	5,551,172	-
(e) Conditional special interim dividend for 2016 declared on 21st December, 2015 and paid on 20th January, 2016 of HK\$2 per share	-	3,815,238
(f) Special interim dividend for 2016 paid on 11th August, 2016 of HK\$2.1 per share	-	4,006,000
(g) Special interim dividend for 2016 paid on 1st September, 2016 of HK\$3.23 per share	-	6,161,610
	<u>9,767,010</u>	<u>14,021,000</u>
Total dividends paid	<u>9,767,010</u>	<u>14,021,000</u>

Final dividend for the Year of HK10 cents (2016: HK1 cent) per share has been proposed by the Board and is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

12. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017 HK\$'000	2016 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>3,708,886</u>	<u>6,360,312</u>
	Number of shares	
	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted earnings per share for the years ended 31st December, 2017 and 2016 were the same as the basic earnings per share as there were no diluting events during both years.

13. Financial Assets Measured at Fair Value Through Profit or Loss

	2017 HK\$'000	2016 HK\$'000
Bonds	10,738,743	14,952,866
Club debentures	69,889	62,807
	<u>10,808,632</u>	<u>15,015,673</u>
Analysed for reporting purpose as:		
Non-current	2,049,276	373,050
Current	8,759,356	14,642,623
	<u>10,808,632</u>	<u>15,015,673</u>

13. Financial Assets Measured at Fair Value Through Profit or Loss (continued)

Major terms of the bonds denominated in United States dollar (“US\$”), Euro (“EUR”) and Pound Sterling (“GBP”) are as follows:

Notional amount	Maturity
US\$33,500,000	2018
US\$1,682,000	2019
US\$5,000,000	2020
US\$22,800,000	2021
US\$28,000,000	2023
US\$237,000,000	2024
US\$133,000,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$749,460,000	Perpetual
EUR2,000,000	Perpetual
GBP41,000,000	Perpetual

14. Financial Assets Measured at Fair Value Through Other Comprehensive Income

	2017 HK\$'000	2016 HK\$'000
Listed investments:		
- Equity securities listed in Hong Kong (notes (i) and (ii))	23,110,730	4,559,726
Unlisted equity securities:		
- Incorporated in Hong Kong	344,263	195,790
- Incorporated elsewhere (note (iii))	686,967	687,075
	24,141,960	5,442,591

Notes:

- (i) During the Year, the Group disposed of a subsidiary whose principal asset was its holding of a block of 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (“Shengjing Bank”) (“SJB Shares”), which represented approximately 9.96% of the total issued share capital of Shengjing Bank, or approximately 37.5% of the total H shares of Shengjing Bank in issue as at the date of the disposal. Details of the disposal of the subsidiary are set out in Note 18(c). At the date of completion of the disposal, the SJB Shares were carried at their fair value determined based on the consideration of the disposal transaction. The resulting gain on fair value change of the SJB Shares amounting to approximately HK\$2,125,982,000 and the transaction costs of the disposal of approximately HK\$1,687,000 were recognised in other comprehensive income of the Group for the Year (2016: carrying amount of approximately HK\$4,559,726,000 represented the acquisition consideration of the SJB Shares of approximately HK\$6,926,166,000 after deducting unrealised loss on fair value change of approximately HK\$2,366,440,000 for the year ended 31st December, 2016 which was determined based on quoted price in active market).
- (ii) During the Year, the Group has acquired 857,541,000 shares of China Evergrande Group (Stock Code: 3333) (“China Evergrande”) (“Evergrande Shares”) at a total consideration (including transaction costs) of approximately HK\$13,182,428,000. The unrealised gain on fair value change of the Evergrande Shares of approximately HK\$9,928,302,000 which was determined based on quoted price in active market, was recorded in financial assets measured at FVTOCI reserve during the Year. The carrying amount of the Evergrande Shares as at 31st December, 2017 was approximately HK\$23,110,730,000.
- (iii) As at 31st December, 2017, the carrying amount mainly comprised investment in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands (“Cayman Islands Partnership”) of approximately HK\$578,244,000 (2016: HK\$584,510,000).

15. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$5,487,000 (2016: HK\$5,894,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

15. Debtors, Deposits, Other Receivables and Prepayments (continued)

The following is the aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the respective revenue recognition dates, at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
0 - 30 days	2,505	2,371
31 - 60 days	998	794
61 - 90 days	391	693
Over 90 days	1,593	2,036
	<u>5,487</u>	<u>5,894</u>

As at 31st December, 2016, included in debtors, deposits, other receivables and prepayments were consideration receivables in respect of deferred considerations of the Chengdu Project Disposal (as defined below), the Chongqing Project Disposal (as defined below) and the Pioneer Time Disposal of approximately HK\$5,100,696,000 in aggregate, of which approximately HK\$3,998,358,000 to be received within one year was shown as current and HK\$1,102,338,000 to be received after one year was shown as non-current. The deferred consideration receivables were initially recognised at fair value and subsequently measured at amortised cost, which were recorded as other receivables.

On 30th July, 2015, the Group disposed of the entire issued share capital of Lucky Benefit Limited and Rising Sheen Limited, both are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries ("Chengdu Project Disposal"). The consideration of the Chengdu Project Disposal was HK\$6,500,000,000 of which 10% was received from Shengyu (BVI) Limited ("Shengyu"), a wholly-owned subsidiary of Evergrande Real Estate Group Limited (now known as China Evergrande Group) which is independent of and not connected with the Company, up to the date of completion of the Chengdu Project Disposal. In accordance with the equity and debt transfer agreement of the Chengdu Project Disposal dated 14th July, 2015, the remaining 90% of the cash consideration receivable from the Chengdu Project Disposal amounting to HK\$5,850,000,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Year, the Group received all the remaining balance of HK\$3,250,000,000 (2016: HK\$2,600,000,000).

On 27th October, 2015, the Group disposed of the entire issued share capital of Million Castle Investments Limited, an indirect wholly-owned subsidiary of the Company ("Chongqing Project Disposal"). The consideration of the Chongqing Project Disposal was HK\$1,750,000,000 of which 15% was received from Shengyu up to the date of completion of the Chongqing Project Disposal. In accordance with the equity and debt receivable transfer agreement of the Chongqing Project Disposal dated 19th October, 2015, the remaining 85% of the cash consideration receivable from the Chongqing Project Disposal amounting to HK\$1,487,500,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Year, the Group received all the remaining balance of HK\$875,000,000 (2016: HK\$612,500,000).

The consideration of the Pioneer Time Disposal was approximately HK\$12,448,280,000 (after adjustment) of which HK\$5,000,000,000 was received from Shengyu up to the date of completion of the Pioneer Time Disposal. In accordance with the equity and debt transfer agreement of the Pioneer Time Disposal dated 12th November, 2015, the remaining cash consideration receivable from the Pioneer Time Disposal amounting to approximately HK\$7,448,280,000 would be received in 6 instalments within 6 years from the date of completion of the Pioneer Time Disposal. During the Year, the Group received all the remaining balance of approximately HK\$1,748,280,000 (2016: HK\$5,700,000,000).

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$2,549,000 (2016: HK\$24,879,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
0 - 90 days	2,539	965
Over 90 days	10	23,914
	<u>2,549</u>	<u>24,879</u>

17. Loan from a Director

The loan from a Director was unsecured and interest-free. The loan would be repayable after one year and the amount was therefore shown as non-current. Subsequent to the end of the reporting period, the loan was fully repaid.

18. Disposals of Subsidiaries

(a) Pinecrest Disposal

On 5th December, 2016, (i) New Silver Limited (“New Silver”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of New Silver; (iii) Strong Point Ventures Limited (“Strong Point Ventures”), a company wholly and beneficially owned by Mr. Lau, Ming-wai (“Mr. MW Lau”), being a non-executive Director; and (iv) Mr. MW Lau, being the guarantor of Strong Point Ventures, entered into a sale and purchase agreement, pursuant to which New Silver agreed to sell and Strong Point Ventures agreed to acquire the entire issued share capital of Pinecrest.

The Pinecrest Disposal was completed on 10th February, 2017 at a consideration of approximately HK\$352,221,000. Upon completion, the Pinecrest Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Pinecrest Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

	2017 HK\$'000
The consolidated net assets of the Pinecrest Group as at the date of disposal were as follows:	
Investment properties	347,162
Equipment	22
Debtors, deposits, other receivables and prepayment	681
Bank balances and cash	5,805
Amount due from the Group	289,856
Creditors and accruals	(613)
Deposits and receipts in advance	(13,392)
Tax liabilities	(281)
Deferred tax liabilities	(104,419)
Consolidated net assets disposed of	524,821
Release of translation reserve upon disposal	409
Assumption of amount due from the Group	(289,856)
Gain on disposal of subsidiaries	114,368
	<u>349,742</u>
Satisfied by:	
Cash consideration	352,221
Expenses incurred for disposal	(2,479)
	<u>349,742</u>
Net cash inflow arising from disposal:	
Cash consideration	352,221
Settled by special interim dividend (<i>note</i>)	(240,786)
Net cash consideration received	111,435
Expenses incurred for disposal	(2,479)
Bank balances and cash disposed of	(5,805)
	<u>103,151</u>

The gain on the Pinecrest Disposal was included in other gains and losses, net (Note 9(i)) in the consolidated statement of comprehensive income.

Note: Strong Point Ventures has elected to settle the consideration by procuring the entitlement of each of Global King (PTC) Ltd. (“Global King”) and Joseph Lau Luen Hung Investments Limited (“JLLHIL”), both were shareholders of the Company, on the special interim dividend (Note 11(c)) in an amount of approximately HK\$240,786,000.

18. Disposals of Subsidiaries (continued)

(b) Win Kings Disposal

On 5th December, 2016, (i) Paul Y. Holdings Company Limited (“Paul Y.”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Paul Y.; (iii) Creative Dragon Ventures Limited (“Creative Dragon Ventures”), a company wholly and beneficially owned by Ms. Chan, Hoi-wan (“Ms. Chan”), being an associate of three Directors (Ms. Chan, Sze-wan, Ms. Chan, Lok-wan and Mr. MW Lau) and an associate of Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), the then substantial shareholder and controlling shareholder of the Company, at the time of entering into the agreement; and (iv) Ms. Chan, being the guarantor of Creative Dragon Ventures, entered into a sale and purchase agreement, pursuant to which Paul Y. agreed to sell and Creative Dragon Ventures agreed to acquire the entire issued share capital of Win Kings.

The Win Kings Disposal was completed on 10th February, 2017 at a consideration of approximately HK\$889,554,000. Upon completion, the Win Kings Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Win Kings Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

	2017
	HK\$'000
The consolidated net assets of the Win Kings Group as at the date of disposal were as follows:	
Stock of properties	859,061
Deposits and prepayments	1,048
Bank balance	1,291
Creditors and accruals	(2,434)
Amount due to the Group	(624,967)
Consolidated net assets disposed of	233,999
Sale of amount due to the Group	624,967
Gain on disposal of subsidiaries	28,958
	887,924
Satisfied by:	
Cash consideration	889,554
Expenses incurred for disposal	(1,630)
	887,924
Net cash inflow arising from disposal:	
Cash consideration	889,554
Settled by special interim dividend (note)	(615,342)
Net cash consideration received	274,212
Expenses incurred for disposal	(1,630)
Bank balance disposed of	(1,291)
	271,291

The gain on the Win Kings Disposal was included in other gains and losses, net (Note 9(ii)) in the consolidated statement of comprehensive income.

Note: Creative Dragon Ventures has elected to settle the consideration by procuring the entitlement of each of Global King and JLLHIL on the special interim dividend (Note 11(c)) in an amount of approximately HK\$615,342,000.

18. Disposals of Subsidiaries (continued)

(c) Great Captain Disposal

On 15th March, 2017, (i) China Entertainment and Land Investment Company, Limited (“CELIC”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Perfect Sign Investments Limited (“Perfect Sign”), a company wholly and beneficially owned by Ms. Chan, being an executive Director and a substantial shareholder of the Company (as trustee for her two minor children); and (iv) Ms. Chan, being the guarantor of Perfect Sign, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Perfect Sign agreed to acquire the entire issued share capital of Great Captain Limited (“Great Captain”), an indirect wholly-owned subsidiary of the Company (“Great Captain Disposal”).

The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of approximately HK\$5,567,687,000. Upon completion, Great Captain ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Great Captain Disposal were set out in the announcements of the Company dated 15th March, 2017, 4th May, 2017 and 23rd June, 2017 and the circular of the Company dated 13th April, 2017.

	2017 HK\$'000
The net assets of Great Captain as at the date of disposal were as follows:	
Financial asset measured at fair value through other comprehensive income	6,685,708
Other receivable	146,696
Borrowing	(1,264,717)
Amount due to the Group	(5,501,013)
Net assets disposed of	<u>66,674</u>
Sale of amount due to the Group	<u>5,501,013</u>
	<u><u>5,567,687</u></u>
Satisfied by:	
Cash consideration	<u><u>5,567,687</u></u>
Net cash inflow arising from disposal:	
Cash consideration	5,567,687
Settled by special interim dividend (note)	(4,163,339)
Net cash consideration received	<u>1,404,348</u>
Expenses incurred for disposal	(1,687)
	<u><u>1,402,661</u></u>

Note: Perfect Sign has elected to settle the consideration by procuring the entitlement of each of Solar Bright Ltd., JLLHIL and Century Frontier Limited, all are shareholders of the Company, on the special interim dividend (Note 11(d)) in an amount of approximately HK\$4,163,339,000.

(d) Union Wings Disposal

On 24th July, 2017, the Group disposed of its entire issued share capital and amount due to the Group in Union Wings to an independent third party.

The Union Wings Disposal was completed on 24th July, 2017 at a consideration of HK\$800,000. Upon completion, Union Wings ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

	2017 HK\$'000
The net liability of Union Wings as at the date of disposal was as follows:	
Amount due to the Group	(721)
Net liability disposed of	<u>(721)</u>
Sale of amount due to the Group	721
Gain on disposal of a subsidiary	<u>800</u>
	<u><u>800</u></u>

18. Disposals of Subsidiaries (continued)

(d) Union Wings Disposal (continued)

	2017 HK\$'000
Satisfied by:	
Cash consideration	<u>800</u>
Net cash inflow arising from disposal:	
Cash consideration received	<u>800</u>

The gain on the Union Wings Disposal was included in other gains and losses, net (Note 9(iii)) in the consolidated statement of comprehensive income.

19. Acquisition of Assets Through Acquisition of a Subsidiary

On 5th May, 2017 (London time), the Group acquired a property located in the United Kingdom and its related assets and liabilities by way of acquisition of the entire issued share capital of Knightlights Property International S.A. ("KPI") ("Acquisition"). The Acquisition was completed on 5th May, 2017 (London time) at a cash consideration of approximately GBP96,830,000 (equivalent to approximately HK\$965,984,000) and repayment of loan due to former shareholder on behalf of KPI of approximately GBP77,049,000 (equivalent to approximately HK\$773,106,000). KPI holds a mixed use freehold building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, the United Kingdom. Details of the Acquisition were set out in the announcement of the Company dated 7th May, 2017.

Under HKFRSs, the Acquisition was accounted for as an acquisition of assets and liabilities as KPI being acquired by the Group does not constitute an acquisition of business. The Group identified and recognised the individual identifiable assets acquired and liabilities assumed. The cost of the Acquisition was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values as at the date of acquisition. Such a transaction does not give rise to goodwill.

	2017 HK\$'000
The net assets of KPI as at the date of acquisition were as follows:	
Investment properties	1,779,563
Debtors, deposits, other receivables and prepayments	22,108
Bank balances	65,619
Creditors and accruals	(8,565)
Deposits and receipts in advance	(86,761)
Tax liabilities	(273)
Loan due to former shareholder	(773,106)
Deferred tax liabilities	(16,253)
Net assets acquired	<u>982,332</u>
Repayment of loan due to former shareholder	<u>773,106</u>
	<u>1,755,438</u>
Consideration for acquisition:	
Cash consideration	965,984
Repayment of loan due to former shareholder	773,106
Expenses incurred for acquisition	16,348
	<u>1,755,438</u>
Net cash outflow arising from acquisition:	
Cash consideration paid	965,984
Repayment of loan due to former shareholder	773,106
Expenses incurred for acquisition	16,348
Bank balances acquired	(65,619)
	<u>1,689,819</u>

20. Capital Commitments

	2017 HK\$'000	2016 HK\$'000
Authorised and contracted for:		
Renovation of properties	2,111	5,656
Capital investment in limited partnership (<i>note</i>)	119,224	125,434
Development expenditure of properties in Hong Kong	-	15,026
	<u>121,335</u>	<u>146,116</u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$781,680,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$84,748,000 (equivalent to approximately HK\$656,936,000) (2016: US\$83,825,000 (equivalent to approximately HK\$649,768,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$15,252,000 (equivalent to approximately HK\$119,224,000, after exchange adjustment) (2016: US\$16,175,000 (equivalent to approximately HK\$125,434,000, after exchange adjustment)).

21. Contingent Liabilities and Assets

Contingent Liabilities

	2017 HK\$'000	2016 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Guarantee given to a bank in respect of banking facilities utilised by an investee company	5,025	-
	<u>20,025</u>	<u>15,000</u>

Contingent Assets

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean

On 1st September, 2014, (i) Data Dynasty Limited (“Data Dynasty”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Data Dynasty; (iii) One Midland Limited (“One Midland”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of One Midland, entered into a sale and purchase agreement, namely “Moon Ocean SP Agreement”, pursuant to which Data Dynasty agreed to sell and One Midland agreed to acquire the entire issued share capital of Value Eight Limited (“Value Eight”), Value Eight held investments relating to the Macau Land (as defined below) through Moon Ocean Ltd. (“Moon Ocean”) (“Moon Ocean Disposal”).

Subject to completion of the Moon Ocean Disposal on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in the Macau Special Administrative Region of the PRC (“Macau”) (“Appeals”) and have become final and the title to the Macau land previously held by Moon Ocean (“Macau Land”) is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the development upside sharing pursuant to the Moon Ocean SP Agreement; or (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the compensation upside sharing pursuant to the Moon Ocean SP Agreement.

The Appeals comprise (i) the appeal against the Chief Executive of Macau’s declaration of the previous act of the Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession for the Macau Land to Moon Ocean and the amendments of the related land concession contracts in March 2006 invalid (“First Decision Appeal”); and (ii) the appeal against the notice from the Land, Public Works and Transport Bureau of Macau that the Chief Executive of Macau declared the previous act of approval of the increase of residential gross floor area of the Macau Land and an exchange of land in March 2011 by the Chief Executive of Macau was invalid (“Second Decision Appeal”).

The arrangement of the development upside sharing or the compensation upside sharing (as the case may be) allows the Group to share the possible upside or compensation in relation to the Macau Land and the La Scala project post completion of the Moon Ocean SP Agreement.

21. Contingent Liabilities and Assets *(continued)*

Contingent Assets *(continued)*

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean *(continued)*

The aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty shall be subject to a maximum amount of HK\$12,500,000,000.

The Directors consider the aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty and the maximum amount of HK\$12,500,000,000 for the development upside sharing or the compensation upside sharing (as the case may be) are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Last Instance Court of Macau denied the First Decision Appeal in its judgment on 22nd June, 2016. Up to the date of this announcement, the Second Decision Appeal is still in progress.

Details of the Moon Ocean Disposal, the development upside sharing and the compensation upside sharing were set out in the announcement of the Company dated 2nd September, 2014 and the circular of the Company dated 23rd September, 2014.

22. Financial Assets Measured at Fair Value Through Profit and Loss and Financial Assets Measured at Fair Value Through Other Comprehensive Income

Included in non-current assets, there are financial assets measured at FVTPL and financial assets measured at FVTOCI in the sum of approximately HK\$2,049,276,000 and approximately HK\$24,141,960,000 respectively. They are included in non-current assets according to their intended holding periods. Notwithstanding the presentation of the above assets as non-current assets, these financial assets to the extent of approximately HK\$25,090,117,000 are listed securities investments and treasury products and could be realised in the market at any time within twelve months from the end of the reporting period.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK10 cents per share (2016: HK1 cent per share) for the Year (the “Final Dividend”).

The Group has recorded a total comprehensive income for the Year attributable to owners of the Company of approximately HK\$16,348.7 million (2016: approximately HK\$3,418.7 million), of which unrealised gain on fair value change of listed equity investments in China Evergrande Group (Stock Code: 3333) was approximately HK\$9,928.3 million (as detailed in Note 14(ii) to the consolidated financial statements of this announcement), as such gain was unrealised and was a non-cash item, any dividend declaration or recommendation on such unrealised gain is not currently intended by the Board.

During the Year, the Company had paid total dividends of HK\$5.12 per share in the total amount of approximately HK\$9,767.0 million to shareholders, which included (a) 2016 final dividend of HK1 cent per share (payment date: 12th June, 2017) (2015 final dividend: HK1 cent per share), (b) special interim dividends of (i) HK\$1.36 per share in the total amount of approximately HK\$2,594.3 million (payment date: 10th February, 2017), (ii) HK64 cents per share in the total amount of approximately HK\$1,220.9 million (payment date: 10th February, 2017), in connection with the completion of the Win Kings Disposal and the Pinecrest Disposal (both as defined in “Other Information and Events After the Reporting Period” of this announcement) of which gains on disposals of subsidiaries in aggregate of approximately HK\$143.3 million were recorded, and (iii) HK\$2.91 per share in the total amount of approximately HK\$5,551.2 million (payment date: 23rd June, 2017), in connection with the completion of the Great Captain Disposal (as defined in “Other Information and Events After the Reporting Period” of this announcement) of which a substantial realised gain attributable from its principal asset of 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (through the Great Captain Disposal) of approximately HK\$2.1 billion was recorded as an other comprehensive income (2016 special interim dividends: HK\$7.33 per share in total) and (c) 2017 interim dividend of HK20 cents per share (payment date: 13th September, 2017) (2016 interim dividend: HK1 cent per share). To preserve more cash for the Group’s future financial, property investment or securities investment opportunities, the Board has recommended the payment of the Final Dividend of HK10 cents per share (2016: HK1 cent per share) .

In respect of the Group’s listed equity investment in China Evergrande Group, the Board recognised the possible potential fluctuation in the Hong Kong stock market. As and when the share price of China Evergrande Group reaches a satisfactory and attractive level, the Group may consider realise part of the listed equity investments in China Evergrande Group. Subject to the then business, financial and cashflow position of the Group, the Board may further consider declaration or recommendation of dividend(s) if and when appropriate upon realisation of investments in listed equity investments at fair value through other comprehensive income including the net proceeds of the intended realisation of the cost and profit arising from the shares in China Evergrande Group (if any), as a return to the shareholders of the Company. Further announcement(s) regarding any proposal of such dividend(s) (if any) will be made by the Company pursuant to the Listing Rules.

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 18th May, 2018 (the “2018 AGM”), dividend warrants for the Final Dividend will be posted on or about 6th June, 2018 to shareholders whose names appear on the register of members of the Company on 28th May, 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the 2018 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

- (1) ***For ascertaining eligibility to attend and vote at the 2018 AGM:***
- | | |
|-----------------------------------------------------------|-----------------------------------------------------------|
| Latest time to lodge transfers documents for registration | 4:30 p.m. on 14th May, 2018 |
| Closure of register of members | 15th May, 2018 to 18th May, 2018
(both days inclusive) |
- (2) ***For ascertaining entitlement to the recommended Final Dividend:***
- | | |
|-----------------------------------------------------------|-----------------------------------------------------------|
| Latest time to lodge transfers documents for registration | 4:30 p.m. on 24th May, 2018 |
| Closure of register of members | 25th May, 2018 to 28th May, 2018
(both days inclusive) |
| Record date | 28th May, 2018 |

To be eligible to attend and vote at the 2018 AGM, and to qualify for the recommended Final Dividend, all properly completed share transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Year amounted to HK\$1,516.7 million (2016: HK\$3,745.1 million), a decrease of 59.5% over last year and comprised gross rental income of HK\$505.8 million (2016: HK\$823.9 million), property sales of HK\$990.1 million (2016: HK\$2,943.4 million), sales of investments held-for-trading on a net basis was nil (2016: loss of HK\$37.4 million) and others of HK\$20.8 million (2016: HK\$15.2 million). The substantial decline in revenue was mainly due to the decrease in sales of trading properties and gross rental income.

Gross Profit

Gross profit for the Year amounted to HK\$969.8 million (2016: HK\$2,147.5 million), a decrease of 54.8% as compared with last year which was mainly due to the decrease in profit from property sales and net rental income of HK\$934.6 million and HK\$285.8 million respectively.

Property Leasing

For property leasing, the rental revenue in retail and non-retail section has decreased significantly by 70.8% to HK\$87.3 million and 20.3% to HK\$418.5 million respectively during the Year. The total rental income in revenue for the Year recorded a decrease of 38.6% to HK\$505.8 million as compared with last year of HK\$823.9 million.

Together with the attributable rental revenue generated from associates and an investee company of HK\$142.5 million (2016: HK\$135.1 million), the total attributable rental revenue to the Group after non-controlling interests amounted to HK\$647.1 million (2016: HK\$957.4 million), which representing a decline of 32.4% over last year.

Attributable net rental income for the Year showed HK\$588.3 million, a 34.7% decrease over HK\$900.9 million in last year.

Notwithstanding the acquisitions of properties located in London, the United Kingdom (including a mixed use freehold building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard in May 2017, mixed use freehold building located in 61-67 (odd) Oxford Street and 11-14 Soho Street in May 2016 and freehold office building located in 14 St George Street in April 2016) which contributed rental revenue and net rental income of HK\$140.0

million (2016: HK\$60.0 million) and HK\$137.9 million (2016: HK\$58.3 million) respectively during the Year, subsequent to completion of the disposals of subsidiaries holding certain shops of Lowu Commercial Plaza in Shenzhen, the PRC in February 2017, Windsor House in Causeway Bay in September 2016 and a property known as Evergo Tower at the time of disposal in Shanghai, the PRC in June 2016, it led to the decline in attributable rental revenue and net rental income.

Property Development and Trading

During the Year, the attributable property sales revenue from the Group, its associates and an investee company recorded a decrease of 61.4% to HK\$887.2 million (2016: the Group and its associates had contributed HK\$2,298.9 million) and the relevant attributable profit from the Group and its associates recorded a decrease of 55.2% to HK\$454.2 million (2016: HK\$1,015.0 million), the attributable profit from investee company to be recognised in investment income upon receipt of dividend income.

Sales of One South Lane in the Western District (100% interest) generated profit of HK\$48.6 million (2016: HK\$53.2 million) was recorded in gross profit.

Sales of 55 Conduit Road in Mid-Levels West (70% interest) and commercial accommodation and units, hourly parking area and parking spaces at The Zenith in Wanchai (87.5% interest) had contributed an attributable profit to the Group of HK\$108.0 million (2016: HK\$954.4 million (including 1 unit and 1 parking space sold to a connected person)) and HK\$239.4 million (2016: HK\$2.7 million) respectively.

In respect of properties held by associates, sales of parking spaces at Greenville Residence in Yuen Long (50% interest) and parking spaces at Mount Beacon in Kowloon Tong (33.33% interest) generated profit of HK\$1.1 million and HK\$57.1 million respectively (2016: sales of parking spaces at Greenville Residence and parking spaces at The Hermitage in West Kowloon (25% interest) generated profit of HK\$0.5 million and HK\$4.2 million respectively) as reflected in the share of results of associates.

During the Year, the forfeited deposit received for 55 Conduit Road of HK\$14.7 million (2016: deposits received for One South Lane of HK\$0.5 million) was recorded in other income.

In summary, the Group together with its associates and an investee company executed properties sale agreements, including contracted for sales agreements to third parties, recorded an attributable contracted sales of HK\$181.4 million (after cash rebate) (2016: the Group together with its associates of HK\$1,608.1 million (after cash rebate or discount)) during the Year. Total attributable property sales profit recognised for the Year was HK\$454.2 million (2016: HK\$1,015.0 million).

Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities, as at 31st December, 2017, comprised of bonds and listed equity investment. During the Year, the gain recognised from listed securities investments and treasury products was HK\$1,708.7 million (2016: HK\$1,075.4 million), comprised gain on listed equity investments at FVTOCI of HK\$61.5 million (2016: HK\$170.5 million) and gain on listed investments and treasury products at FVTPL of HK\$1,647.2 million (2016: HK\$904.9 million).

During the Year, the Group did not dispose of any listed investments held-for-trading (2016: realised loss of HK\$37.4 million was included in revenue), but a realised gain from sales of bonds of HK\$227.0 million (2016: HK\$142.9 million) was recognised. The net realised gain for the Year was HK\$227.0 million (2016: HK\$105.5 million). During the Year, the Group had acquired 29 bonds (2016: 132 bonds) in the sum of HK\$5,281.3 million (2016: HK\$15,347.1 million), and disposed of/redeemed 75 bonds (2016: 145 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$10,095.7 million (2016: HK\$11,337.3 million). Bonds acquired were mainly in the industries of overseas financial institutions (38.3%) (2016: 41.1%) and PRC-based real estate companies (60.5%) (2016: 15.4%). Realised gain from bonds disposed of/redeemed were mainly in the industries of overseas financial institutions (16.0%) (2016: 2.8%) and PRC-based real estate companies (38.9%) (2016: 3.7%).

Furthermore, the Group recorded an unrealised gain of HK\$600.3 million (2016: unrealised loss of HK\$126.2 million) representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The Group believes that the increase in bond price of bonds mainly issued by overseas financial institutions in the Year, among others, was owing to the European banking sector has been facing a more stable political environment and ongoing economic recovery during the Year. The unrealised gain (2016: unrealised loss) on bonds represented 39 bonds (2016: 73 bonds), mainly comprising unrealised gain from overseas financial institutions (93.8%) and

PRC-based real estate companies (4.3%), and unrealised loss from insurance companies (1.4%) (2016: unrealised loss from insurance companies (135.9%) and overseas financial institutions (43.4%), and unrealised gain from PRC-based real estate companies (46.3%)).

Interest income from bonds amounted to HK\$910.9 million (2016: HK\$923.6 million), represented 7.71% (2016: 7.45%) return on average market value of bondholding during the Year.

Summing up the above and adding the net income from net dividend income, interest income, other net investment income and net finance costs of HK\$881.4 million (2016: HK\$1,096.1 million), the gain recognised from listed securities investments and treasury products was HK\$1,708.7 million (2016: HK\$1,075.4 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Equity Investments at Fair Value Through Other Comprehensive Income

The listed equity investments at FVTOCI recorded a net profit of HK\$61.5 million (2016: HK\$170.5 million) comprised after-expenses dividend income of HK\$163.0 million (2016: HK\$189.6 million) and the withholding tax of HK\$16.3 million (2016: HK\$19.1 million), making a net dividend income of HK\$146.7 million (2016: HK\$170.5 million) from the SJB Shares, and net expenses from other net investment income and net finance costs of HK\$85.2 million (2016: nil).

During the Year, the Group has acquired 857,541,000 shares of China Evergrande (representing approximately 6.51% of the total issued share capital of China Evergrande as at 31st December, 2017) at a total consideration (including transaction costs) of HK\$13,182.4 million.

During the Year, gains on fair value changes of listed equity investments at FVTOCI of HK\$12,054.3 million was recognised in other comprehensive income, which comprised realised gain on fair value change of the SJB Shares of HK\$2,126.0 million and unrealised gain on fair value change of the Evergrande Shares of HK\$9,928.3 million (2016: unrealised loss of HK\$2,366.5 million from the SJB Shares). Realised gain/loss on fair value change is a cash item while unrealised fair value change is a non-cash item and will not affect the cash flow of the Group. The Group believes that the increase in share price of China Evergrande from April to the end of December 2017, among others, was owing to the encouraging operating data and completion of redemption of all its perpetual bonds during the Year which implied improvement in profitability. In addition, the overall optimistic prospect in the PRC real estate industry was demonstrated by increase in share price of companies in the same industry during the Year.

Listed Investments and Treasury Products at Fair Value Through Profit or Loss

The listed investments and treasury products at FVTPL recorded a profit before and after finance costs of HK\$1,751.5 million and HK\$1,647.2 million (2016: HK\$921.0 million and HK\$904.9 million) respectively for the Year.

Profit from the listed investments and treasury products at FVTPL reflected in the consolidated statement of comprehensive income for the Year comprised a realised gain on bonds of HK\$227.0 million, an unrealised gain on fair value changes of bonds of HK\$600.3 million and interest income and other net investment income of HK\$924.2 million (2016: a realised loss on listed investments held-for-trading of HK\$37.4 million, a realised gain on bonds of HK\$142.9 million, an unrealised loss on fair value changes of bonds of HK\$126.2 million and net dividend income, interest income and other net investment income of HK\$941.7 million). Net relevant finance costs for the Year was HK\$104.3 million (2016: HK\$16.1 million) including interest expense of HK\$60.4 million and exchange loss of HK\$43.9 million (2016: including interest expense of HK\$77.3 million and exchange gain of HK\$61.2 million).

Other Income and Expenses

Other income for the Year, which mainly came from net building management fee income, rental services income, property management services, leasing administration services and property administration services income, consultancy fee income, exchange gain, net and forfeiture of deposits received on sales of stock of properties, increased to HK\$132.0 million (2016: HK\$102.9 million), representing an increase of 28.3% as compared with last year.

During the Year, administrative expenses decreased by 15.8% to HK\$279.3 million (2016: HK\$331.5 million). Finance costs increased by 67.2% to HK\$295.2 million (2016: HK\$176.5 million) during the Year, including exchange loss of HK\$52.2 million (2016: exchange gain of HK\$61.2 million) on foreign currency other borrowings

hedged for foreign currency securities investments. The decrease in administrative expenses was mainly due to the disposals of subsidiaries during the Year and the year of 2016 and absence of exchange loss, net during the Year. The increase in finance costs was mainly due to the exchange loss (2016: exchange gain) on translation of foreign currency other borrowings.

Other gains and losses recorded a net gain of HK\$140.3 million mainly comprised gains on the Pinecrest Disposal and the Win Kings Disposal of HK\$143.3 million in total (2016: HK\$2,176.4 million mainly comprised gains on the Pioneer Time Disposal, the Evergo Shanghai Disposal and the Windsor Disposal of HK\$2,311.1 million in total) and write-down of stock of properties of HK\$3.8 million (2016: HK\$128.5 million).

Disposals of Subsidiaries to Connected Persons

(a) The Pinecrest Disposal and the Win Kings Disposal were completed on 10th February, 2017 at a consideration of HK\$352.2 million and HK\$889.6 million respectively. Upon completion, the Pinecrest Group and the Win Kings Group ceased to be subsidiaries of the Company and their respective consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Pinecrest Disposal and the Win Kings Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

(b) The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of HK\$5,567.7 million. Upon completion, Great Captain ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Great Captain Disposal were set out in the announcements of the Company dated 15th March, 2017, 4th May, 2017 and 23rd June, 2017 and the circular of the Company dated 13th April, 2017.

Associates

The share of results of associates for the Year was a profit of HK\$189.9 million as compared to HK\$161.2 million for last year, the increase was mainly due to the increase in profit from property sales.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31st December, 2017 by B.I. Appraisals Limited (“B.I. Appraisals”) whereas investment properties in the United Kingdom were revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). B.I. Appraisals and Peak Vision Appraisals are independent property valuers. A gain on fair value changes of investment properties of HK\$564.5 million (2016: HK\$139.2 million) was recorded during the Year. The unrealised fair value changes will not affect the cash flow of the Group.

Profit, Core Profit, Dividends, Repurchase, Cash Payment Ratio and Total Comprehensive Income

Profit

Profit for the Year attributable to owners of the Company was HK\$3,708.9 million as compared to HK\$6,360.3 million for last year. The decrease in profit of 41.7% for the Year was mainly arising from (i) decrease in attributable net rental income; (ii) decrease in attributable property sales profit; (iii) decrease in gains on disposals of subsidiaries; (iv) decrease in imputed interest income from deferred consideration receivables; despite (v) increase in fair value gain on investment properties; and (vi) increase in net profit from the segment of the listed investments and treasury products at FVTPL. Earnings per share for the Year was HK\$1.94 (2016: HK\$3.33).

Core Profit

The Group disposed of certain investment properties through disposals of subsidiaries during the Year, the costs of which are stated at fair value. In addition, the Group disposed of stock of properties which were classified as investment properties and/or land and building in prior years. Before disposal, such gain/loss on fair value change is unrealised and recognised at the end of each reporting period, but excluded from core profit as non-cash items. In the year of disposal, such unrealised gain/loss has become realised; and in computing core profit, accumulated fair value gain/loss from prior years and current year are included as cash items.

If the net gain on the major non-cash items of HK\$646.4 million (2016: HK\$577.5 million) are excluded, but the major accumulated net realised fair value gain together with their respective deferred tax on disposals of investment properties and stock of properties from the Group recognised in prior years of HK\$336.2 million (2016: the accumulated realised fair value gain together with their respective deferred tax on disposals of investment properties and stock of properties from the Group and its associates recognised in prior years of HK\$17,248.7 million) (including those recognised in properties revaluation reserve) are included, the Group will have a core profit for the Year attributable to owners of the Company of HK\$3,398.7 million (2016: HK\$23,031.5 million) and a core earnings per share of HK\$1.78 (2016: HK\$12.07), which were both decreased by 85.2% to those in the year of 2016.

The major non-cash items represented the attributable unrealised fair value gain on investment properties together with their respective deferred tax from the Group and its associates of HK\$646.4 million (2016: HK\$577.5 million).

Dividends

Final dividend of HK1 cent (year ended 31st December, 2015: HK1 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2016 was paid in cash on 12th June, 2017.

Interim dividend of HK20 cents (half year ended 30th June, 2016: HK1 cent) per share in total amount of HK\$381.5 million for the half year ended 30th June, 2017 was paid in cash on 13th September, 2017.

Special interim dividends of HK\$2 in aggregate per share in total amount of HK\$3,815.2 million and HK\$2.91 per share in total amount of HK\$5,551.2 million were paid in cash on 10th February, 2017 and 23rd June, 2017 respectively (2016: a conditional special interim dividend of HK\$2 per share in total amount of HK\$3,815.2 million was paid in cash on 20th January, 2016 and special interim dividends of HK\$2.1 per share in total amount of HK\$4,006.0 million and HK\$3.23 per share in total amount of HK\$6,161.6 million were paid in cash on 11th August, 2016 and 1st September, 2016 respectively).

Total dividends of HK\$9,767.0 million were paid in cash during the Year.

Repurchase

During the Year, the Company had not repurchased any of the Company's share.

Cash Payment Ratio

Based on (a) the core profit for the Year of HK\$3,398.7 million (2016: HK\$23,031.5 million) or HK\$1.78 (2016: HK\$12.07) per share; (b) cash final dividend for the Year of HK10 cents (2016: HK1 cent) per share proposed; (c) cash interim dividend for 2017 of HK20 cents (2016: HK1 cent) per share; and (d) cash special interim dividends of HK64 cents in aggregate per share and HK\$2.91 per share were paid (2016: HK\$2, HK\$2.1 and HK\$3.23 per share were paid and HK\$1.36 per share was declared), the ratio of such cash payment to the core profit is 216.3% (2016: 72.2%).

Total Comprehensive Income

Total comprehensive income for the Year attributable to owners of the Company was HK\$16,348.7 million (2016: HK\$3,418.7 million) or HK\$8.57 (2016: HK\$1.79) per share, an increase of 3.8 times over last year which comprised (a) profit for the Year attributable to owners of the Company of HK\$3,708.9 million (2016: HK\$6,360.3 million); and (b) other comprehensive income for the Year attributable to owners of the Company of HK\$12,639.8 million (2016: expenses of HK\$2,941.6 million) which mainly included gains on fair value changes of listed equity investments at FVTOCI of HK\$12,054.3 million (2016: unrealised loss of HK\$2,366.5 million), details are disclosed in the subparagraph headed "Listed Equity Investments at Fair Value Through Other Comprehensive Income" of paragraph headed "Securities Investments" above.

Net Asset Value

As at 31st December, 2017, the Group's net asset attributable to owners of the Company amounted to HK\$36,385.9 million (2016: HK\$29,804.2 million), an increase of HK\$6,581.7 million or 22.1% when compared with 31st December, 2016. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2017 and 2016, the net asset value per share attributable to owners of the Company was HK\$19.07 (2016: HK\$15.62). The movement in net asset value was mainly due to (a) total comprehensive income for the Year attributable to owners of the Company of HK\$16,348.7 million; and (b) final, interim and special interim dividends recognised as distribution during the Year totaling HK\$9,767.0 million.

During the Year, gains on fair value changes on the listed equity investments categorised as financial assets measured at FVTOCI of HK\$12,054.3 million (2016: unrealised loss of HK\$2,366.5 million) as well as the transaction costs of the Great Captain Disposal of HK\$1.7 million were recorded in other comprehensive income. Upon completion of the Great Captain Disposal, the Group transferred the negative balance of financial assets measured at FVTOCI reserve of HK\$242.2 million to retained profits. The carrying amount of the gain on fair value change of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$9,928.3 million as at 31st December, 2017 (2016: loss of HK\$2,366.5 million).

Other than the existing projects and those disclosed in the final results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Net Current Liabilities

The Group recorded net current liabilities as at 31st December, 2017 of HK\$2,804.8 million (2016: net current assets of HK\$11,207.6 million), of which current assets were HK\$10,978.6 million and current liabilities were HK\$13,783.4 million. The position was mainly due to certain of the Group's current liabilities had been utilised to finance the Group's non-current assets.

In the consolidated statement of financial position and within securities investment activities, which comprised of bonds and listed equity investment, the total carrying amount as at 31st December, 2017 was HK\$33,849.5 million. Included in non-current assets were part of the bonds in the sum of HK\$1,979.4 million presented as financial assets measured at FVTPL and listed equity investment in the sum of HK\$23,110.7 million presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds in the sum of HK\$8,759.4 million presented as financial assets measured at FVTPL. Margin loans utilised to finance the securities investments in both non-current and current assets in the sum of HK\$9,873.7 million were presented as borrowings in current liabilities.

If the margin loans of HK\$9,873.7 million were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$5,221.0 million and HK\$4,652.7 million were secured by the non-current assets securities investments and current assets securities investments respectively.

If the margin loans secured by the non-current assets securities investments of HK\$5,221.0 million were reclassified as non-current liabilities, the net current liabilities position of the Group would become net current assets position of HK\$2,416.2 million as at 31st December, 2017.

The ratio of margin loans against securities investments was loan-to-value ratio, which was 29.2% as at 31st December, 2017. In accordance with the terms and conditions of margin loans facility agreements of the Group with financial institutions, among others, as long as the securities investments maintained market value which is in excess of pre-defined loan-to-value ratios as set out by the financial institutions, the margin loans upon interest payment due date would be roll-overed month-for-month, and repayment of margin loans by the Group to financial institutions would not be required. As such, very often margin loans of the Group which were presented as current liabilities would not be current and would be repayable over one year. In the event that the Group intends to reduce or repay part of the margin loans, the Group might, among others, dispose of some of the securities investments to effect the payment.

Listed securities investments and treasury products of the Group were frequently traded in the market, and formed part of the Group's treasury management. They were presented as non-current assets and current assets according to their intended holding periods.

If the entire listed securities investments and treasury products of the Group as at 31st December, 2017 were presented as current assets, current assets would be increased by HK\$25,090.1 million, and net current liabilities position of HK\$2,804.8 million would become net current assets position of HK\$22,285.3 million.

The Group believes that the net current liabilities position as at 31st December, 2017 would not have adverse financial effect to the Group's liquidity or gearing position and the Group has ability to continue as a going concern.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management and invest in listed securities investments and treasury products with attractive yield and good prospect in order to bring stable and satisfactory return in long run. During the Year, the Group made a substantial investment in shares of China Evergrande owing to its encouraging operating data and completion of redemption of all its perpetual bonds during the Year which implied improvement in the profitability of China Evergrande. The Group also acquired bonds mainly issued by overseas financial institutions and PRC-based real estate companies. It is expected that the European banking sector has been facing a more stable political environment and ongoing economic recovery and PRC-based real estate companies will continue to benefit from a strong property market with an apparently rising macroeconomic growth in the PRC. Meanwhile, the Group divested the SJB Shares because the Group believes that, among other things, the challenging environment on risk management and the reduction of local enterprises' debt burdens in the PRC banking industry which led to the plummet in market price of the SJB Shares.

The respective securities investments under different categories are elaborated below.

Listed Equity Investments at Fair Value Through Other Comprehensive Income

During the Year, the Group disposed of the SJB Shares through disposal of a subsidiary, details of the Great Captain Disposal are disclosed in paragraph headed "Disposals of Subsidiaries to Connected Persons" above.

During the Year, the Group has acquired 857,541,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$13,182.4 million, after adding the fair value gain of HK\$9,928.3 million for the Year, the carrying amount of listed equity investment categorised as financial assets measured at FVTOCI was HK\$23,110.7 million as at 31st December, 2017. China Evergrande is principally engaged in development of large scale residential properties and integrated commercial properties in the PRC.

Listed Investments and Treasury Products at Fair Value Through Profit or Loss

As at 31st December, 2016, the carrying amounts of the bonds presented as financial assets measured at FVTPL was HK\$14,952.9 million. During the Year, the bonds portfolio was decreased by a net disposal of HK\$4,814.4 million. After adding the fair value gain of HK\$600.3 million for the Year, the bonds portfolio of the Group became HK\$10,738.8 million as at 31st December, 2017, which formed part of the Group's cash management activities. As at 31st December, 2017, the bonds portfolio comprised of bonds issued by overseas financial institutions of 62.7%, PRC-based real estate companies of 30.2% and other industries of 7.1%. They are denominated in different currencies with 95.5% in US\$, 4.3% in GBP and 0.2% in EUR. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 13.250% per annum of which notional amount of US\$1,181.0 million are callable, the bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% per annum are callable and the bond denominated in EUR carries at fixed rate of 12.500% per annum is callable. As at 31st December, 2017, the bonds portfolio comprised of 39 bonds (2016: 73 bonds); in terms of credit rating, investment grade, non-investment grade and unrated were 10 bonds, 22 bonds and 7 bonds (2016: 30 bonds, 28 bonds and 15 bonds) respectively. In terms of maturity, 27 bonds (2016: 32 bonds) were contingent convertible bonds issued by overseas financial institutions of which 25 bonds (2016: 28 bonds) were perpetual and the remaining 2 bonds (2016: 4 bonds) will mature in 2023 (2016: between 2022 to 2026). 12 bonds (2016: 41 bonds) were issued by issuers other than overseas financial institutions of which 4 bonds (2016: 17 bonds) were perpetual and the remaining 8 bonds (2016: 24 bonds) will mature between 2018 to 2046 (2016: between 2018 to 2075).

As at 31st December, 2017, the portfolio of listed securities investments and treasury products of HK\$33,849.5 million (2016: HK\$19,512.6 million) comprised (a) bonds (financial assets measured at FVTPL (non-current and current assets in aggregate)) of HK\$10,738.8 million (2016: HK\$14,952.9 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$23,110.7 million (2016: HK\$4,559.7 million), representing 60.4% (2016: 42.6%) of total assets.

Unlisted Securities Investments

The Group had committed to make a capital contribution of US\$100.0 million (equivalent to approximately HK\$781.7 million) in the Cayman Islands Partnership. As at 31st December, 2016, the carrying amount was HK\$584.5 million. During the Year, the Group has contributed US\$0.9 million (equivalent to approximately HK\$7.2 million) (net of recallable distribution) less received distribution of US\$3.0 million (equivalent to approximately HK\$23.4 million) (which was included in financial assets measured at FVTOCI), after adding the fair value gain for the Year of HK\$9.9 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$578.2 million as at 31st December, 2017, representing 1.0% (2016: 1.3%) of total assets.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2017 and 2016 were 1,907,619,079.

Debt and Gearing

As at 31st December, 2017, the Group's bank and other borrowings (including loan from a director) amounted to HK\$18,308.5 million (2016: HK\$14,591.4 million). Cash and deposits at banks amounted to HK\$659.4 million (2016: HK\$1,070.5 million), pledged deposits amounted to HK\$263.5 million (2016: HK\$943.7 million) and net borrowings amounted to HK\$17,385.6 million (2016: HK\$12,577.2 million).

Total debt to equity ratio was 50.2% (2016: 48.8%) and net debt to equity ratio was 47.6% (2016: 42.1%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$36,493.0 million (2016: HK\$29,899.9 million). The increase in both ratios was mainly due to increase in total debt and net debt during the Year.

If the listed securities investments and treasury products of HK\$33,849.5 million (2016: HK\$19,512.6 million) are included, there would be a net cash position of HK\$16,463.9 million (2016: HK\$6,935.4 million).

As at 31st December, 2017, the Group's bank and other borrowings (including loan from a director) of HK\$18,308.5 million, 69.7%, 10.6%, 12.9% and 6.8% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (71.7%), GBP (26.4%) and US\$ (1.9%). HK\$, GBP and US\$ securities investments were hedged by HK\$, GBP and US\$ borrowings. The Group's bank borrowings in HK\$ and GBP were carried at interest rates calculated mainly with reference to Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate respectively; other borrowings were carried at interest rates calculated with reference to cost of funds and HIBOR; and loan from a director was interest-free. As at 31st December, 2017, all the Group's borrowings were on floating rate basis (except for loan from a director). No hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 31st December, 2017, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$14,234.3 million and bank deposits of HK\$209.7 million (2016: investment properties of HK\$10,231.4 million, stock of properties of HK\$858.4 million and bank deposits of HK\$77.3 million) were pledged to the Group's banks to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investments at FVTOCI with carrying amounts of HK\$33,176.6 million (2016: HK\$18,713.3 million) and cash deposits of HK\$53.8 million (2016: HK\$866.4 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$9,873.7 million (2016: HK\$9,893.3 million) was utilised as at 31st December, 2017 as borrowings due within one year.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

Financial and Interest Income/Expenses

Interest income was included in revenue, other income and investment income. Interest income for the Year was HK\$1,691.7 million, representing a decrease of 38.9% over last year of HK\$2,766.6 million.

Finance costs included interest expenses on bank and other borrowings; exchange difference on translation of foreign currency other borrowings; and arrangement fee and facility and commitment fee expenses. Interest expenses for the

Year amounted to HK\$234.6 million, representing an increase of 3.1% over last year of HK\$227.5 million. Interest capitalised for the Year was HK\$0.1 million as compared to HK\$2.5 million for last year. The increase in interest expenses was mainly due to increase in average balance of other borrowings despite of the decrease in bank borrowings following certain disposals of subsidiaries during the Year and the year of 2016. The average interest rate over the year under review was 1.55% (2016: 1.52%), which was expressed as a percentage of total interest paid over the average total interest-bearing borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 31st December, 2017, the Group employed a total of 528 staff (2016: 552 staff) in Hong Kong including about 254 staff (2016: 257 staff) employed under the estate management company in Hong Kong and no employee (2016: 4 staff) in the offices in Mainland China.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Year.

The Company had adopted a share award scheme ("Share Award Scheme") in 2009. The Share Award Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Share Award Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Year.

United Kingdom and Mainland China

The Group further acquired an investment property in the United Kingdom in May 2017. As at 31st December, 2017, the Group's investment properties in the United Kingdom with carrying amount of GBP878.3 million (equivalent to approximately HK\$9,231.2 million) (2016: GBP690.7 million (equivalent to approximately HK\$6,586.0 million)) contributed a net profit of HK\$291.5 million (2016: HK\$507.6 million) to the Group for the Year, the profit mainly included in gross profit, fair value changes on investment properties, finance costs and taxation. GBP exchange gain of foreign operations included in other comprehensive income for the Year amounted to HK\$385.6 million (2016: loss of HK\$554.0 million). As at 31st December, 2017, the Group's net investment in the United Kingdom amounted to HK\$5,095.2 million (2016: HK\$3,609.2 million) representing 14.0% (2016: 12.1%) of the Group's total equity.

Profit contribution from the Group's investment in Mainland China (mainly included in gross profit, fair value changes on investment properties, gain on disposal of subsidiaries, share of results of associates and taxation) for the Year amounted to HK\$68.6 million (2016: HK\$566.4 million). Renminbi exchange gain of foreign operations included in other comprehensive income (including share of an associate) for the Year amounted to HK\$34.0 million (2016: loss of HK\$28.1 million). The Group's net investment in Mainland China as at 31st December, 2017 amounted to HK\$533.3 million (2016: HK\$749.5 million) representing 1.5% (2016: 2.5%) of the Group's total equity.

Listed Subsidiary

The Group did not own any listed subsidiary at the end of the reporting period.

Property Valuation

Property valuations in respect of the Group's investment properties in Hong Kong and Mainland China as at 31st December, 2017 and 2016 were carried out by B.I. Appraisals, independent qualified professional valuer. For the investment properties in the United Kingdom, the property valuations as at 31st December, 2017 and 2016 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2017 final results.

The Group's investment properties were valued at HK\$15,650.0 million (2016: HK\$12,887.3 million), a 4.2% increase over 2016 after adjusted for the additions, disposals and exchange adjustments of investment properties during the Year. The increase in fair value of HK\$564.5 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of associates of HK\$84.0 million (adjusted deferred tax credit of HK\$1.8 million) for the Year.

The increase in fair value of HK\$564.5 million was mainly derived from increase in fair value of Harcourt House. The fair value change is a non-cash item and will not affect the cash flow of the Group.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the Year, but represents an extract from those consolidated financial statements. The final results of the Group for the Year have been reviewed by the Audit Committee of the Company.

Scope of work of HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income.

During the Year, the average occupancy rate of the shops of Causeway Place was approximately 89.66%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 96.43% during the Year.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 70.20% during the Year.

The average occupancy rate for the Group's office property, Harcourt House was approximately 91.80% during the Year.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily.

One South Lane is located in the Western District and enjoys close proximity to the HKU MTR Station. It is a luxury residential/retail tower with a total gross floor area of around 41,353 square feet which provides 92 residential units. As at 31st December, 2017, all residential units were sold and handed over to individual purchasers.

55 Conduit Road (70% interest) is a luxury residential development in Mid-Levels West with total residential gross floor area of around 87,800 square feet which provides 35 residential units. As at 31st December, 2017, 34 residential units were sold and handed over to individual purchasers, representing 97.14% of total units. 1 residential unit was contracted for sales subsequent to the Year.

The Hermitage (25% interest) is one of the Group's joint venture development projects in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 31st December, 2017, 99.79% of total units were sold.

The Coronation (15% interest) is another joint venture development project of the Group in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. As at 31st December, 2017, 99.86% of total units were sold.

Kwun Tong Town Centre Project (Development Areas 2 and 3) (10% interest) is a joint venture development project of the Group awarded by the Urban Renewal Authority. Its total site area is approximately 234,160 square feet. Total gross floor area of around 1,853,561 square feet will be developed. 4 residential tower blocks with 1,999 residential units in aggregate will be built and will be launched in two phases. Excavation and lateral support works and pile cap works were completed. Superstructure works are in progress. As at 31st December, 2017, the presale consent applications of both phases were pending for approval. It is expected that the presale will be launched in the second half of 2018. The whole project will be completed in the first quarter of 2021.

In February 2017, the Group disposed the company holding the property development situated at No. 12 Shiu Fai Terrace.

Mainland China Property Investment

Hilton Beijing (50% interest), a five-star international hotel having 502 rooms, average occupancy rate was approximately 77.17% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 98.17% for the Year.

In February 2017, the Group disposed the companies holding 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen. The average occupancy rate of such retail outlets for the Year immediately before disposal was approximately 99.02%.

Overseas Property Investment

The Group's investment properties in the United Kingdom were fully let during the Year.

River Court is a Grade A freehold office building situated at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces.

"14 St George Street" is a Grade A freehold office building located in London, United Kingdom. The building comprises approximately 51,861 square feet of office accommodation arranged over lower ground, ground and four upper floors.

"61-67 (odd) Oxford Street and 11-14 Soho Street" is a mixed use freehold building located in London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors.

"11 and 12 St James's Square and 14 to 17 Ormond Yard" is a mixed use freehold building located in London, United Kingdom. The building provides around 80,000 square feet Grade A office accommodation arranged over lower ground, ground and six upper floors. The Group acquired the holding company of this property in May 2017.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management, as at 31st December, 2017, comprised of bonds and listed equity investment. The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company. The Group's strategy for future investments is to invest in a diversified portfolio to minimise risks with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance. No investments are made for speculative purposes.

The gain recognised on such securities investments for the Year was approximately HK\$1,708.7 million. Details of the performance of securities investment are disclosed under "Financial Operation Review" of this announcement.

The Group will continue to closely monitor its portfolio of securities investments to achieve satisfactory returns.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of Subsidiaries holding the Property Development situated at No. 12 Shiu Fai Terrace and Certain Shops of Lowu Commercial Plaza, Shenzhen – Major and Connected Transactions

The Group has on 5th December, 2016 entered into sale and purchase agreements, in relation to, inter alia, disposal of the wholly-owned subsidiaries of the Company that ultimately held (i) the property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong; and (ii) certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China (the "PRC") to the companies wholly-owned by (i) Ms. Chan, Hoi-wan, an associate of Mr. Joseph Lau, Luen-hung (the then substantial shareholder and controlling shareholder of the Company) ("Mr. Joseph Lau") and an associate of Directors at the time of entering into relevant sale and purchase agreement (the "Win Kings Disposal"); and (ii) Mr. Lau, Ming-wai ("Mr. MW Lau"), the Chairman of the Board and a Non-executive Director (the "Pinecrest Disposal") respectively. The Win Kings Disposal and the Pinecrest Disposal constituted major and connected transactions of the Company under the Listing Rules and each of them was approved by the independent shareholders of the Company at the special general meeting of the Company held on 13th January, 2017. The Win Kings Disposal and the Pinecrest Disposal were completed on 10th February, 2017 at the final consideration of approximately HK\$889.6 million and HK\$352.2 million respectively. Details of the Win Kings Disposal and the Pinecrest Disposal were set out in the Company's announcement dated 5th December, 2016, circular dated 28th December, 2016 and announcement dated 10th February, 2017.

Appointment of Executive Director

As announced on 13th February, 2017, the Board appointed Ms. Chan, Hoi-wan ("Ms. Chan") as an Executive Director with effect from 13th February, 2017.

Restructuring of Shareholding

On 1st March, 2017, after the distribution of all the shares in the Company indirectly held under a discretionary trust (the "Share Trust") founded by Mr. Joseph Lau to certain eligible beneficiaries of the Share Trust, Mr. MW Lau and Ms. Chan (as trustee for her minor children) indirectly hold shares representing approximately 24.97% and 50.02% of the total issued share capital of the Company as at 1st March, 2017 respectively. Details of the restructuring of shareholding were set out in the announcement of the Company dated 1st March, 2017.

Disposal of a Subsidiary holding of Equity Interest in Shengjing Bank Co., Ltd. – Major and Connected Transaction

The Group has on 15th March, 2017 entered into a sale and purchase agreement, in relation to the disposal of a wholly-owned subsidiary of the Company that held 577,180,500 H shares in Shengjing Bank Co., Ltd. (Stock Code: 2066) to the company wholly-owned by Ms. Chan (the "Great Captain Disposal"). The Great Captain Disposal constituted major and connected transaction of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting of the Company held on 4th May, 2017. The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of approximately HK\$5,567.7 million. Details of the Great Captain Disposal were set out in the Company's announcement dated 15th March, 2017, circular dated 13th April, 2017 and announcement dated 23rd June, 2017.

Acquisition of Knightlights Property International S.A. holding a Property in the United Kingdom – Discloseable Transaction

As announced on 7th May, 2017, the Group has on 5th May, 2017 (London time) entered into a sale and purchase agreement, in relation to, inter alia, acquisition of the entire issued share capital of Knightlights Property International S.A. ("KPI"), a company that held a freehold property situated at 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, United Kingdom, with an independent third party, at a cash consideration of approximately GBP96.8 million (equivalent to approximately HK\$966.0 million) and repayment of loan due to former shareholder on behalf of KPI of approximately GBP77.0 million (equivalent to approximately HK\$773.1 million) (the "Acquisition"). The Acquisition constituted a discloseable transaction of the Company under the Listing Rules. Completion of the Acquisition took place on 5th May, 2017 (London time).

Acquisition of Shares in China Evergrande Group

During the Year, the Group acquired 857,541,000 shares in China Evergrande Group (Stock Code: 3333), at a total consideration (including transaction costs) of approximately HK\$13.2 billion in the open market. Latest update on the acquisition was set out in the announcement of the Company dated 2nd January, 2018.

Contract for Services – Continuing Connected Transactions

On 31st October, 2017, the Group entered into a contract for services (the “Contract”) with Mr. Joseph Lau, whereby the Group agreed to provide to Mr. Joseph Lau leasing administration services, sale administration services, property management services, property administration services, asset management and maintenance services, rental services, advisory and consultancy services and other ordinary services for a term of 3 years commenced on 1st November, 2017. An announcement was made on 31st October, 2017.

At the time of entering into the Contract, Mr. Joseph Lau is the spouse of, and accordingly an associate of Ms. Chan (an Executive Director and a trustee of the substantial shareholders of the Company). Therefore, Mr. Joseph Lau is a connected person of the Company and the Contract and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Forfeiture of Unclaimed Dividends

As announced on 1st February, 2018, all dividends declared on or before 17th August, 2011 remaining unclaimed on 28th February, 2018 will be forfeited and will revert to the Company.

PROSPECTS

The Group sees bright prospects for the Hong Kong residential property market. Despite the local Government’s control measures as well as the interest rate rise by the U.S. Federal Reserve, there was no sign of falling house prices throughout the Year. Looking ahead, in 2018, it is likely that the housing market will continue to flourish along with rising home prices and the impact of potential increase of interest rate on properties market should be moderate.

The Group is optimistic for its core businesses. In 2016 and 2017, the Group had been actively expanding our property investment business through acquisition of commercial buildings in the United Kingdom. Remarkably, all investment properties of the Group in the United Kingdom were fully let during the Year. It is expected that the business of overseas property leasing will continue to bring about stable and considerable revenue for the Group in the coming year.

As for the business of securities investment, the Group acquired shares in PRC-based enterprise throughout the Year given the prosperous outlook of the PRC real estate industry demonstrated by the increase in share price of that sector during the Year. The Group will continue to closely monitor the securities market and seize every good investment opportunity with a view to generating positive returns.

In spite of disposals of several major assets since 2015, the Group’s financial condition remains sound and stable. In future, the Group will keep an eye on the property markets, striving to expand its land bank and investment property portfolio at opportune times to attain long-term sustainable growth.

CORPORATE GOVERNANCE

Throughout the Year, the Company had applied the principles and complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviations:-

Code Provision A.6.7

– Independent Non-executive Directors and Non-executive Directors Attending General Meetings

Mr. MW Lau, a Non-executive Director (“NED”), was unable to attend the special general meetings of the Company held on 13th January, 2017 and 4th May, 2017; and the annual general meeting of the Company held on 24th May, 2017 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the AGM as she was not in Hong Kong on that day. Ms. Phillis Loh, Lai-ping, an Independent Non-executive Director, was unable to attend the AGM as she had business engagement.

Code Provision E.1.2

– Chairman Attending Annual General Meeting

Mr. MW Lau, the Chairman of the Board, was unable to attend the AGM as he had business engagement. Mr. Chan, Kwok-wai, the chairman of the Audit Committee and the Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. Although the chairman of the Nomination Committee, Ms. Phillis Loh, Lai-ping had not attended the AGM due to business engagement, all other members of the Nomination Committee had attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the “Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 22nd February, 2018

As at the date of this announcement, the Board comprised Ms. Chan, Sze-wan, Ms. Chan, Hoi-wan, Ms. Chan, Lok-wan and Mr. Lam, Kwong-wai as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

This results announcement is published on the website of the Company (<http://www.chineseestates.com>) and the HKExnews website (<http://www.hkexnews.hk>).

Results Highlights will also be posted on the Company’s website on 22nd February, 2018.