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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, 2018**

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, 2018 (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 “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, 2017 are set out as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31st December, 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$’000</b>	2017 HK\$’000
Revenue	3	<b>843,618</b>	1,516,655
Cost of sales		<b>(124,507)</b>	(546,813)
Gross profit		<b>719,111</b>	969,842
Other income	5	<b>173,062</b>	132,020
Investment income, net	6	<b>542,002</b>	2,701,708
Administrative expenses		<b>(255,506)</b>	(279,254)
Gain on disposals of equipment, net		<b>1,181</b>	1,832
Fair value changes on investment properties		<b>122,301</b>	564,502
Finance costs	7	<b>(344,990)</b>	(295,173)
Other gains and losses, net	8	<b>(2,559)</b>	140,283
Share of results of investments accounted for using the equity method		<b>232,252</b>	189,922
Profit before tax		<b>1,186,854</b>	4,125,682
Income tax expense	9	<b>(127,041)</b>	(327,049)
Profit for the year	10	<b>1,059,813</b>	3,798,633

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*

*For the year ended 31st December, 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Other comprehensive (expenses) income</b>			
<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		<b>(2,847,447)</b>	12,217,167
Share of other comprehensive income of investments accounted for using the equity method		<u>132</u>	<u>306</u>
		<b><u>(2,847,315)</u></b>	<b><u>12,217,473</u></b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>(274,773)</b>	405,284
Reclassification adjustment related to foreign operations disposed of		-	409
Share of other comprehensive (expenses) income of investments accounted for using the equity method		<u>(10,182)</u>	<u>16,658</u>
		<b><u>(284,955)</u></b>	<b><u>422,351</u></b>
Other comprehensive (expenses) income for the year (net of tax)		<b><u>(3,132,270)</u></b>	<b><u>12,639,824</u></b>
<b>Total comprehensive (expenses) income for the year</b>		<b><u>(2,072,457)</u></b>	<b><u>16,438,457</u></b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>1,015,290</b>	3,708,886
Non-controlling interests		<u>44,523</u>	<u>89,747</u>
		<b><u>1,059,813</u></b>	<b><u>3,798,633</u></b>
<b>Total comprehensive (expenses) income for the year attributable to:</b>			
Owners of the Company		<b>(2,116,980)</b>	16,348,710
Non-controlling interests		<u>44,523</u>	<u>89,747</u>
		<b><u>(2,072,457)</u></b>	<b><u>16,438,457</u></b>
<b>Earnings per share (HK\$)</b>			
Basic and diluted	12	<b><u>0.532</u></b>	<b><u>1.944</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*At 31st December, 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>15,280,848</b>	15,649,991
Property, plant and equipment		<b>36,654</b>	43,117
Intangible assets		-	-
Goodwill		<b>322,938</b>	322,938
Investments accounted for using the equity method		<b>2,276,177</b>	2,115,228
Advances to associates		<b>49,259</b>	49,199
Advance to a joint venture		<b>154,218</b>	-
Financial assets measured at fair value through profit or loss	13	<b>1,350,090</b>	2,049,276
Financial assets measured at fair value through other comprehensive income	14	<b>21,367,307</b>	24,141,960
Advances to investee companies		<b>652,304</b>	605,204
Advance to a non-controlling shareholder		<b>11,170</b>	14,908
Deferred tax assets		<b>1,899</b>	2,419
Pledged deposits		<b>83,203</b>	90,541
		<u><b>41,586,067</b></u>	<u>45,084,781</u>
<b>Current assets</b>			
Stock of properties		<b>228,799</b>	296,513
Financial assets measured at fair value through profit or loss	13	<b>5,415,827</b>	8,759,356
Inventories		<b>3,187</b>	2,660
Debtors, deposits, other receivables and prepayments	15	<b>517,562</b>	916,113
Securities trading receivables and deposits		<b>22,497</b>	112,611
Tax recoverable		<b>15,670</b>	2,155
Pledged deposits		<b>154,195</b>	172,972
Time deposits, bank balances and cash		<b>714,572</b>	659,402
Sales proceeds held by stakeholders		<b>32,327</b>	56,792
		<u><b>7,104,636</b></u>	<u>10,978,574</u>
<b>Current liabilities</b>			
Creditors and accruals	16	<b>247,187</b>	345,201
Securities trading and margin payable		<b>22,295</b>	116,983
Deposits and receipts in advance		<b>218,633</b>	241,168
Tax liabilities		<b>62,656</b>	316,502
Borrowings		<b>9,303,688</b>	12,763,546
		<u><b>9,854,459</b></u>	<u>13,783,400</u>
<b>Net current liabilities</b>		<u><b>(2,749,823)</b></u>	<u>(2,804,826)</u>
<b>Total assets less current liabilities</b>		<u><b>38,836,244</b></u>	<u>42,279,955</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*At 31st December, 2018*

	2018 HK\$'000	2017 HK\$'000
<b>Equity attributable to owners of the Company</b>		
Share capital	190,762	190,762
Financial assets measured at fair value through other comprehensive income reserve	7,016,367	10,204,417
Statutory reserve	668	668
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(593,208)	(308,253)
Retained profits		
- proposed final dividend	190,762	190,762
- others	24,619,270	23,469,813
	<u>34,062,368</u>	<u>36,385,916</u>
<b>Non-controlling interests</b>	<u>81,201</u>	<u>107,086</u>
<b>Total equity</b>	<u>34,143,569</u>	<u>36,493,002</u>
<b>Non-current liabilities</b>		
Borrowings	4,443,987	3,709,467
Loan from a director	-	1,835,500
Amounts due to associates	171,619	142,419
Amounts due to non-controlling shareholders	24,177	49,202
Deferred tax liabilities	52,892	50,365
	<u>4,692,675</u>	<u>5,786,953</u>
	<u><b>38,836,244</b></u>	<u><b>42,279,955</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## *For the year ended 31st December, 2018*

### 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, 2018, the Group’s current liabilities exceeded its current assets by approximately HK\$2,749,823,000 (2017: HK\$2,804,826,000). Notwithstanding the above result, these 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 depends 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, and 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, 2018, 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 facility 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, 2018 in aggregate of approximately HK\$21,438,609,000 (2017: HK\$25,090,117,000) (Note 19), 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, 2018. Based on the 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, 2018. 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 the banks.

In 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 these 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. Principal Accounting Policies

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, 2017 except as described below.

In the current year, the Group has applied, for the first time, the following new HKFRSs, new interpretation and amendments to existing HKFRSs (“2018 new HKFRSs”) issued by the HKICPA, which are effective for the current financial year of the Group. The 2018 new HKFRSs 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 1 First-time Adoption of HKFRSs and Amendments to HKAS 28 Investments in Associates and Joint Ventures
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

## 2. Principal Accounting Policies (continued)

### ***HKFRS 15 Revenue from Contracts with Customers***

*Accounting policies applied from 1st January, 2018*

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 of 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 superseded the revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it became effective. Amendments to HKFRS 15 address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) would be recognised in retained profits as of 1st January, 2018 and that comparatives have not been restated. The Group assessed the impacts of adopting HKFRS 15 on these consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group. Furthermore, the Group’s dividend income, interest income and rental income are not within the scope of HKFRS 15. The adoption of HKFRS 15 has no impact on the net cash flow from operating, investing and financing activities in the consolidated statement of cash flows.

As a result of the adoption of HKFRS 15, change in the Group’s accounting policy is as follows:

- Revenue from sales of properties held for sale is recognised when the legal assignment is completed, which is the point in time when the purchaser has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Save as disclosed above, the application of the 2018 new HKFRSs 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.

### ***Investments in Joint Ventures***

During the Year, the Group subscribed 50% equity interest in a joint venture. Following the subscription, the Group has applied the following accounting policy on investments in joint ventures.

*Accounting policies applied from 1st January, 2018*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Details of the equity method of accounting, impairment assessment and derecognition of investments in joint ventures, which has also been applying to investments in associates of the Group for the current or prior accounting periods, are set out in Note 3(c) to the consolidated financial statements for the year ended 31st December, 2017 as stated in the annual report of the Company in 2017.

## 2. Principal Accounting Policies (continued)

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2019

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2020

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2021

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

## 3. Revenue

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

	2018 HK\$'000	2017 HK\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of properties held for sale	273,989	990,106
Brokerage and cosmetic income	25,096	20,748
	<b>299,085</b>	1,010,854
Revenue from other sources:		
Property rental income	544,533	505,743
Interest income from loan financing	-	58
	<b>544,533</b>	505,801
	<b>843,618</b>	1,516,655

#### 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, tax recoverable and derivative financial instrument.

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amounts due to non-controlling shareholders and deferred tax liabilities (2017: also included loan from a director).

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2017.

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 two (2017: three) major customers who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$273,989,000 was derived from a customer in property development and trading segment in Hong Kong and revenue of approximately HK\$183,303,000 was derived from a customer in non-retail property leasing segment in the United Kingdom (2017: HK\$321,160,000 and HK\$186,620,000 were derived from each of the two customers in property development and trading segment in Hong Kong and HK\$175,744,000 was derived from a customer in non-retail property leasing segment in the United Kingdom).



#### 4. Operating Segments (continued)

Operating segment information is presented below:

### Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2018

	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					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	-	4,937,729	-	-	4,937,729
- Other countries	-	-	-	-	443,255	-	-	443,255
	-	-	-	-	5,380,984	-	-	5,380,984
<b>Revenue</b>								
Revenue from external customers								
- Hong Kong	273,989	42,886	139,203	-	-	14,073	11,023	481,174
- United Kingdom	-	36,241	326,203	-	-	-	-	362,444
	273,989	79,127	465,406	-	-	14,073	11,023	843,618
Revenue from external customers after non-controlling interests								
	191,792	79,127	465,403	-	-	14,073	11,023	761,418
Attributable property sales from associates/investee company								
- Hong Kong	78,993	-	-	-	-	-	-	78,993
Attributable rental revenue from associates/joint venture/investee company								
- Hong Kong	-	20,408	45,840	-	-	-	-	66,248
- Mainland China	-	64,153	8,894	-	-	-	-	73,047
	270,785	163,688	520,137	-	-	14,073	11,023	979,706
<b>Result</b>								
Segment result								
- Hong Kong	231,713	37,281	133,255	1,107,228	(289,080)	26,380	19,454	1,266,231
- United Kingdom	-	35,052	321,714	-	-	87	-	356,853
- Mainland China	-	-	-	-	-	2,891	-	2,891
- Other countries	-	-	-	-	(350,734)	-	-	(350,734)
	231,713	72,333	454,969	1,107,228	(639,814)	29,358	19,454	1,275,241
Share of results of investments accounted for using the equity method								
- Attributable property sales, net								
- Hong Kong	3,857	-	-	-	-	-	-	3,857
- Attributable gross income								
- Hong Kong	-	19,574	44,821	-	-	-	2,227	66,622
- Mainland China	-	64,153	8,894	-	-	-	-	73,047
- Attributable operating cost								
- Hong Kong	-	(705)	(8,585)	-	-	-	-	(9,290)
- Mainland China	-	(26,572)	(2,830)	-	-	-	-	(29,402)
Non-controlling interests	(52,310)	-	(3)	-	-	-	-	(52,313)
	183,260	128,783	497,266	1,107,228	(639,814)	29,358	21,681	1,327,762
Finance costs	-	-	-	(115,650)	(70,980)	-	-	(186,630)
Other gains and losses, net	(2,549)	-	-	-	-	-	-	(2,549)
Share of results of investments accounted for using the equity method								
- Income tax and others	(1,038)	(36,858)	(8,026)	-	-	-	(502)	(46,424)
	179,673	91,925	489,240	991,578	(710,794)	29,358	21,179	1,092,159
Unallocated items								
Unallocated corporate expenses, net								(95,401)
Unallocated finance costs								(158,360)
Income tax expense								(127,847)
Unallocated non-controlling interests								7,790
<b>Operating profit for the year attributable to owners of the Company</b>								
<b>Major non-cash items</b>								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								296,143
- Deferred tax credit								806
<b>Profit for the year attributable to owners of the Company</b>								
<b>1,015,290</b>								
<b>Core profit for the year attributable to owners of the Company</b>								
<b>718,341</b>								

**4. Operating Segments (continued)**  
**Consolidated Statement of Financial Position**  
**At 31st December, 2018**

	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					
<b>Assets</b>								
Segment assets								
- Hong Kong	1,651,525	1,948,679	5,253,665	20,167,010	5,499,322	420,325	76,278	35,016,804
- United Kingdom	-	1,632,210	7,433,806	-	-	-	-	9,066,016
- Mainland China	267,880	-	29,045	-	-	6,821	-	303,746
- Other countries	-	-	-	-	1,272,109	493,267	-	1,765,376
Investments accounted for using the equity method								
- Hong Kong	68,750	424,507	1,582,710	-	-	2,167	6,549	2,084,683
- Mainland China	-	141,553	49,941	-	-	-	-	191,494
Advances to associates and a joint venture								
- Hong Kong	1,000	-	154,306	-	-	2	1,160	156,468
- Mainland China	-	34,751	12,258	-	-	-	-	47,009
Reportable segment assets	<b>1,989,155</b>	<b>4,181,700</b>	<b>14,515,731</b>	<b>20,167,010</b>	<b>6,771,431</b>	<b>922,582</b>	<b>83,987</b>	<b>48,631,596</b>
Unallocated corporate assets								59,107
Consolidated total assets								<b>48,690,703</b>
<b>Liabilities</b>								
Segment liabilities								
- Hong Kong	165,431	20,593	69,688	3,809,914	3,091,361	35,868	8,452	7,201,307
- United Kingdom	-	16,464	167,234	-	-	-	-	183,698
- Mainland China	778	-	31	-	-	7	-	816
- Other countries	-	-	-	-	432,759	9	-	432,768
Reportable segment liabilities	<b>166,209</b>	<b>37,057</b>	<b>236,953</b>	<b>3,809,914</b>	<b>3,524,120</b>	<b>35,884</b>	<b>8,452</b>	<b>7,818,589</b>
Unallocated corporate liabilities								6,728,545
Consolidated total liabilities								<b>14,547,134</b>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>								
	-	-	2,224	-	-	40	16	

**Other Material Items**

*For the year ended 31st December, 2018*

	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	673,317	-	-	673,317
Finance costs	(186,630)	(158,360)	-	(344,990)
Net income (expense)	486,687	(158,360)	-	328,327
Depreciation	-	(6,806)	-	(6,806)
Fair value changes on investment properties	-	-	122,301	122,301
Write-down of stock of properties	(2,549)	-	-	(2,549)
Share of results of investments accounted for using the equity method	58,410	-	173,842	232,252
Income tax (expense) credit	-	(127,847)	806	(127,041)
Non-controlling interests	(52,313)	7,790	-	(44,523)

**4. Operating Segments (continued)**  
**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					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	-	9,150,032	-	-	9,150,032
- Other countries	-	-	-	-	1,172,645	-	-	1,172,645
	-	-	-	-	10,322,677	-	-	10,322,677
<b>Revenue</b>								
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
<b>Result</b>								
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 investments accounted for using the equity method								
- 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 investments accounted for using the equity method								
- 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
<b>Operating profit for the year attributable to owners of the Company</b>								3,062,540
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								648,453
- Deferred tax expense								(2,107)
<b>Profit for the year attributable to owners of the Company</b>								3,708,886
<b>Core profit (excluding major non-cash items)</b>								
<b>Operating profit for the year attributable to owners of the Company</b>								3,062,540
<b>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</b>								
- Recognised in prior years								336,182
<b>Core profit for the year attributable to owners of the Company</b>								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					
<b>Assets</b>								
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
Investments accounted for using the equity method								
- 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	<u>1,844,757</u>	<u>4,368,648</u>	<u>14,451,678</u>	<u>23,110,731</u>	<u>10,969,934</u>	<u>1,185,338</u>	<u>82,320</u>	<u>56,013,406</u>
Unallocated corporate assets								<u>49,949</u>
Consolidated total assets								<u>56,063,355</u>
<b>Liabilities</b>								
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	<u>266,408</u>	<u>37,464</u>	<u>269,824</u>	<u>4,604,773</u>	<u>5,272,056</u>	<u>119,855</u>	<u>6,632</u>	<u>10,577,012</u>
Unallocated corporate liabilities								<u>8,993,341</u>
Consolidated total liabilities								<u>19,570,353</u>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>								
	<u>-</u>	<u>1,424</u>	<u>1,783,806</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>855</u>	

**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 investments accounted for using the equity method	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)

## 5. Other Income

	2018 HK\$'000	2017 HK\$'000
Included in other income are:		
Building management fee income	35,086	34,675
Building management fee expenses	(19,037)	(16,700)
	16,049	17,975
Rental services income	6,693	11,681
Property management services, leasing administration services and property administration services income	29,797	52,208
Advisory and consultancy services income	37	46
Asset management and maintenance services income	5	973
Consultancy fee income	14,766	12,073
Exchange gain, net	4,301	11,847
Reversal of impairment in respect of other receivable and interest thereon of approximately HK\$39,941,000 (2017: HK\$2,055,000)	89,186	4,687
Forfeiture of deposits received on sales of stock of properties	-	14,725

## 6. Investment Income, Net

	2018 HK\$'000	2017 HK\$'000
Financial assets measured at fair value through profit or loss:		
Unrealised (loss) gain arising from change in fair value of bonds	(1,255,094)	600,296
Realised (loss) gain arising from change in fair value of bonds		
- Change in fair value	(24,721)	179,505
- Exchange component of change	4,593	47,488
Net (loss) gain arising from change in fair value of bonds	(1,275,222)	827,289
Unrealised gain arising from change in fair value of club and corporate debentures, net	8,592	7,082
Unrealised gain arising from change in fair value of derivative financial instrument	1,921	-
Other investment income, net	12,450	14,370
Dividends income on:		
Listed investment	1,106,820	163,018
Unlisted investments	54,750	1,092
Interest income	632,691	1,688,857
	542,002	2,701,708

Interest income mainly included interest income from bonds of approximately HK\$623,366,000 (2017: interest income from bonds of HK\$910,949,000 and imputed interest income from deferred consideration receivables of HK\$772,584,000 of which HK\$631,402,000 was arose from repayment of the deferred consideration receivables before their respective maturity dates).

## 7. Finance Costs

	2018 HK\$'000	2017 HK\$'000
Interest on:		
Bank borrowings	146,250	96,362
Other borrowings	196,106	138,409
Total interest	<u>342,356</u>	<u>234,771</u>
Exchange (gain) loss on translation of foreign currency bank and other borrowings, net	(6,926)	52,236
Other finance costs	<u>9,560</u>	<u>8,306</u>
	<b>344,990</b>	<b>295,313</b>
Less: Interest capitalised to stock of properties under development held for sale	-	(140)
	<u><b>344,990</b></u>	<u><b>295,173</b></u>

During the year ended 31st December, 2017, the Group had capitalised borrowing costs at a rate of 2.58% per annum amounting to HK\$140,000 on qualifying assets.

## 8. Other Gains and Losses, Net

	2018 HK\$'000	2017 HK\$'000
Included in other gains and losses, net are:		
Write-down of stock of properties	(2,549)	(3,830)
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
	<u><b>-</b></u>	<u><b>139,296</b></u>

### Notes:

- (i) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Pinecrest International Limited, 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").
- (ii) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Win Kings Holding Ltd., 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.
- (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 on 24th July, 2017. At the time of disposal, Union Wings held a vehicle registration mark registered in Hong Kong.

## 9. Income Tax Expense

	2018 HK\$'000	2017 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	73,155	234,131
Other than Hong Kong	46,938	73,382
	<b>120,093</b>	307,513
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	4,644	(288)
Other than Hong Kong	(2,297)	6,774
	<b>2,347</b>	6,486
Deferred tax:		
Current year charge	4,601	13,050
	<b>127,041</b>	<b>327,049</b>

For the year ended 31st December, 2017, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (“Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2017: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. Profit for the Year

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors’ emoluments	(137,909)	(170,862)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$716,000 (2017: HK\$213,000)	(7,734)	(9,817)
	<b>(145,643)</b>	(180,679)
Auditors’ remuneration:		
Auditors of the Company		
- Current year	(2,014)	(2,050)
Other auditors		
- Current year	(542)	(467)
- (Underprovision) overprovision in prior years	(27)	122
Depreciation	(6,806)	(8,680)
Cost of trading properties recognised	(71,064)	(420,044)
Cost of cosmetic products recognised	(4,355)	(3,625)
Share of tax of associates	(9,535)	(49,600)
Share of tax of a joint venture	(628)	-
Share of tax of investments accounted for using the equity method (included in share of results of investments accounted for using the equity method)	(10,163)	(49,600)
Gross rental income from investment properties	544,533	505,743
Less: Direct operating expenses from investment properties that generated rental income during the year	(14,197)	(11,182)
Direct operating expenses from investment properties that did not generate rental income during the year	(3,034)	(3,020)
	<b>527,302</b>	491,541
Impairment loss recognised in respect of trade receivables, net	(6)	(364)
Reversal of impairment loss recognised in respect of other receivables, net	<b>48,998</b>	<b>2,500</b>

## 11. Dividends

	2018 HK\$'000	2017 HK\$'000
(a) Final dividend for 2017 paid on 6th June, 2018 of HK10 cents (2016: HK1 cent) per share	190,762	19,076
(b) Interim dividend for 2018 paid on 17th September, 2018 of HK1 cent (2017: HK20 cents) per share	19,076	381,524
(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
	<hr/>	<hr/>
Total dividends paid	<b>209,838</b>	<b>9,767,010</b>

Final dividend for the Year of HK10 cents (2017: HK10 cents) 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:

	2018 HK\$'000	2017 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<b>1,015,290</b>	<b>3,708,886</b>
	<hr/>	<hr/>
	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>1,907,619,079</b>	<b>1,907,619,079</b>

Diluted earnings per share for the years ended 31st December, 2018 and 2017 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

	2018 HK\$'000	2017 HK\$'000
Bonds	6,685,515	10,738,743
Club and corporate debentures	78,481	69,889
Derivative financial instrument	1,921	-
	<u>6,765,917</u>	<u>10,808,632</u>
Analysed for reporting purpose as:		
Non-current	1,350,090	2,049,276
Current	5,415,827	8,759,356
	<u>6,765,917</u>	<u>10,808,632</u>

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

Notional amount	Maturity
US\$9,000,000	2021
US\$146,000,000	2023
US\$237,000,000	2024
US\$59,000,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$465,365,000	Perpetual
GBP22,500,000	Perpetual

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

	2018 HK\$'000	2017 HK\$'000
Listed investment:		
- Equity securities listed in Hong Kong ( <i>note (i)</i> )	20,167,000	23,110,730
Unlisted equity securities:		
- Incorporated in Hong Kong	707,542	344,263
- Incorporated elsewhere ( <i>note (ii)</i> )	492,765	686,967
	<u>21,367,307</u>	<u>24,141,960</u>

Notes:

- (i) As at 31st December, 2018, the Group held certain shares of China Evergrande Group (stock code: 3333) (“China Evergrande”) (“Evergrande Shares”). The unrealised loss on fair value change of the Evergrande Shares of approximately HK\$3,052,253,000 (2017: unrealised gain of HK\$9,928,302,000), which was determined based on quoted market bid price in active market, was recorded in financial assets measured at FVTOCI reserve during the Year. The carrying amount of the Evergrande Shares held by the Group as at 31st December, 2018 was HK\$20,167,000,000 (2017: HK\$23,110,730,000).
- (ii) As at 31st December, 2018, 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\$408,159,000 (2017: HK\$578,244,000).

## 15. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$3,553,000 (2017: HK\$5,487,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

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:

	2018 HK\$'000	2017 HK\$'000
0 - 30 days	755	2,505
31 - 60 days	534	998
61 - 90 days	634	391
Over 90 days	1,630	1,593
	<u>3,553</u>	<u>5,487</u>

## 16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$6,555,000 (2017: HK\$2,549,000).

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

	2018 HK\$'000	2017 HK\$'000
0 - 90 days	6,531	2,539
Over 90 days	24	10
	<u>6,555</u>	<u>2,549</u>

## 17. Capital Commitments

	2018 HK\$'000	2017 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership ( <i>note</i> )	98,387	119,224
Renovation of properties	-	2,111
	<u>98,387</u>	<u>121,335</u>

*Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$783,150,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$87,437,000 (equivalent to approximately HK\$677,957,000) (2017: US\$84,748,000 (equivalent to approximately HK\$656,936,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$12,563,000 (equivalent to approximately HK\$98,387,000, after exchange adjustment) (2017: US\$15,252,000 (equivalent to approximately HK\$119,224,000, after exchange adjustment)).*

## 18. Contingent Liabilities

	2018 HK\$'000	2017 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
Guarantees given to banks in respect of banking facilities utilised by investee companies	625,178	5,025
	<u>640,178</u>	<u>20,025</u>

No provision for financial guarantee contracts have been made as at 31st December, 2018 and 2017 as the Directors considered the default risk is low.

## **19. Financial Assets Measured at Fair Value Through Profit or Loss and Financial Assets Measured at Fair Value Through Other Comprehensive Income**

Included in non-current assets, there were financial assets measured at FVTPL and financial assets measured at FVTOCI in the sum of approximately HK\$1,350,090,000 (2017: HK\$2,049,276,000) and approximately HK\$21,367,307,000 (2017: HK\$24,141,960,000) respectively. They were 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\$21,438,609,000 (2017: HK\$25,090,117,000) were 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.

## **20. Further Information on Disposal of a Subsidiary in 2014**

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, Luen-hung (“Mr. Joseph Lau”), the then substantial shareholder and controlling shareholder of the Company; 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”). At the time of disposal, 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.

All Appeals were denied up to the end of the reporting period, the development upside sharing was lapsed.

On 22nd July, 2015, Moon Ocean filed a claim against the original owners of the Macau Land for refund of transfer prices, development costs and interests (“Civil Claim”). Further on 13th July, 2016, Moon Ocean filed a claim against the Chief Executive of Macau, the Secretary for Economy and Finance of Macau, the Secretary for Transport and Public Works of Macau, the director of the Economy and Finance Bureau of Macau and the director of the Land, Public Works and Transport Bureau of Macau for refund of land premium paid for revision of the Macau Land in 2011, rents paid, security money paid and interests (“Administrative Claim”). Up to the date of this announcement, the Civil Claim and the Administrative Claim are still in progress. The Directors consider that the compensation upside sharing is remote.

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, the circular of the Company dated 23rd September, 2014, and in the notes to the consolidated financial statements in the annual reports of the Company in 2014, 2015, 2016 and 2017 under the heading “Contingent Assets”.

## DIVIDENDS

The Board has recommended the payment of a final dividend of HK10 cents per share for the Year (2017: HK10 cents per share) (the “Final Dividend”).

The Board has approved and adopted a dividend policy for the Company on 5th March, 2019 (the “Dividend Policy”). Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. When considering dividend declaration or recommendation, the Board shall take into account various factors including but not limited to the Group’s business condition and strategy, capital requirement; and earnings, financial and cash flow position, and distributable reserves of the Company and the Group.

During the Year, the Group has recorded a total comprehensive expenses attributable to owners of the Company of approximately HK\$2,117.0 million (2017: total comprehensive income attributable to owners of the Company of approximately HK\$16,348.7 million). As at 31st December, 2018, the Group had an accumulated unrealised reserve on gain on fair value change of listed equity investment in China Evergrande Group (stock code: 3333) of approximately HK\$6,571.0 million (details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income” of paragraph headed “Securities Investments” in the section headed “Financial Operation Review” of this announcement). However, 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. The Board recognised the possible potential fluctuation in 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 investment in China Evergrande Group. Subject to the then business, financial and cashflow position of the Group and other factors stated in the Dividend Policy, the Board may 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.

The Company had paid an interim dividend of HK1 cent per share on 17th September, 2018 (2017: HK20 cents per share). Having considered the factors stated in the Dividend Policy, 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 (2017: HK10 cents per share).

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 24th May, 2019 (the “2019 AGM”), dividend warrants for the Final Dividend will be posted on or about 12th June, 2019 to shareholders whose names appear on the register of members of the Company on 31st May, 2019.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members’ eligibility to attend and vote at the 2019 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

- |   |   |
|---|---|
| <b>(1) For ascertaining eligibility to attend and vote at the 2019 AGM:</b> |   |
| Latest time to lodge transfers documents for registration                   | 4:30 p.m. on 20th May, 2019                               |
| Closure of register of members  | 21st May, 2019 to 24th May, 2019<br>(both days inclusive) |
| <b>(2) For ascertaining entitlement to the recommended Final Dividend:</b>  |   |
| Latest time to lodge transfers documents for registration                   | 4:30 p.m. on 29th May, 2019                               |
| Closure of register of members  | 30th May, 2019 to 31st May, 2019<br>(both days inclusive) |
| Record date   | 31st May, 2019  |

To be eligible to attend and vote at the 2019 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\$843.6 million (2017: HK\$1,516.7 million), a decrease of 44.4% over last year and comprised gross rental income of HK\$544.5 million (2017: HK\$505.8 million), property sales of HK\$274.0 million (2017: HK\$990.1 million) and others of HK\$25.1 million (2017: HK\$20.8 million). The decline in revenue was mainly due to the decrease in sales of trading properties despite of the increase in gross rental income.

#### Gross Profit

Gross profit for the Year amounted to HK\$719.1 million (2017: HK\$969.8 million), a decrease of 25.9% as compared with last year which was mainly due to the decrease in profit from property sales of HK\$289.9 million despite of the increase in net rental income of HK\$35.8 million.

#### Property Leasing

For property leasing, the rental revenue in non-retail section increased by 11.2% to HK\$465.4 million while retail section decreased by 9.3% to HK\$79.1 million during the Year. The total rental income in revenue for the Year recorded an increase of 7.7% to HK\$544.5 million as compared with last year of HK\$505.8 million.

Together with the attributable rental revenue generated from associates, a joint venture and an investee company of HK\$139.3 million (2017: associates and an investee company of HK\$142.5 million), the total attributable rental revenue to the Group after non-controlling interests amounted to HK\$683.8 million (2017: HK\$647.1 million), which representing an increase of 5.7% over last year.

Attributable net rental income for the Year showed HK\$626.0 million, an increase of 6.4% over HK\$588.3 million in last year.

Following the acquisition of a building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, the United Kingdom in May 2017, it has contributed rental revenue and net rental income of HK\$79.5 million and HK\$75.8 million respectively (2017: both rental revenue and net rental income of HK\$51.1 million) during the Year.

#### Property Development and Trading

During the Year, the attributable property sales revenue from the Group and its associates and investee company recorded a decrease of 69.5% to HK\$270.8 million (2017: HK\$887.2 million) and the relevant attributable profit from the Group and its associates and investee company recorded a decrease of 59.7% to HK\$183.3 million (2017: the Group and its associates of HK\$454.2 million).

Sales of 55 Conduit Road in Mid-Levels West (70% interest) contributed an attributable profit to the Group of HK\$125.4 million (2017: sales of One South Lane in the Western District (100% interest) generated a profit of HK\$48.6 million; 55 Conduit Road and commercial accommodation and units, hourly parking area and parking spaces at The Zenith in Wanchai (87.5% interest) contributed attributable profit to the Group of HK\$108.0 million and HK\$239.4 million respectively).

In respect of properties held by associates, sales of a workshop unit at Kwong Kin Trade Centre in Tuen Mun (50% interest), a unit and two store rooms at Hing Wai Centre in Aberdeen (50% interest) and parking spaces at Greenville Residence in Yuen Long (50% interest) generated profit of HK\$1.9 million, HK\$1.7 million and HK\$0.3 million respectively (2017: sales of parking spaces at Greenville Residence 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), as reflected in the share of results of investments accounted for using the equity method. Sale of parking spaces at The Coronation in West Kowloon (15% interest) had contributed HK\$54.0 million (2017: nil) to investment income upon recognition of dividend income during the Year.

In summary, the Group together with its associates and investee companies executed properties sale agreements, including contracted for sales agreements to third parties, recorded an attributable contracted sales of HK\$1,953.2 million (2017: HK\$181.4 million) (after cash rebate) during the Year. Total attributable property sales profit recognised for the Year was HK\$183.3 million (2017: HK\$454.2 million).

## Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities, as at 31st December, 2018, comprised of bonds and listed equity investment. During the Year, the gain (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from listed securities investments and treasury products was HK\$280.8 million (2017: HK\$1,708.7 million), comprised gain on listed equity investments at FVTOCI of HK\$991.6 million (2017: HK\$61.5 million) and loss on listed investments and treasury products at FVTPL of HK\$710.8 million (2017: gain of HK\$1,647.2 million).

During the Year, the Group did not dispose of any listed investments held-for-trading (2017: no disposal). The realised loss from sales of bonds of HK\$20.1 million (2017: realised gain of HK\$227.0 million) was recognised, mainly comprising the realised loss in the industries of overseas financial institutions of HK\$23.2 million (2017: realised gain of HK\$36.3 million), the realised loss in the industries of insurance of HK\$2.0 million (2017: realised gain of HK\$74.0 million), despite of the realised gain in the PRC-based real estate companies of HK\$7.7 million (2017: HK\$88.4 million). During the Year, the Group had acquired 11 bonds (2017: 29 bonds) (including those additions to the existing bonds) in the sum of HK\$2,602.9 million, and disposed of/redeemed 40 bonds (2017: 75 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$5,381.0 million. Bonds acquired were mainly in the industries of overseas financial institutions of 50.7% (2017: 38.3%) and PRC-based real estate companies of 47.6% (2017: 60.5%).

Furthermore, the Group recorded an unrealised loss of HK\$1,255.1 million (2017: unrealised gain of HK\$600.3 million) representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The unrealised loss (2017: unrealised gain) from changes in fair value of bonds represented 25 bonds (2017: 39 bonds), mainly comprising unrealised loss from industries of overseas financial institutions of HK\$489.4 million or decrease in fair value of 12.0% over the Year; and unrealised loss from PRC-based real estate companies of HK\$714.5 million or decrease in fair value of 20.4% over the Year (2017: unrealised gain from industries of overseas financial institutions of HK\$562.9 million or increase in fair value of 9.1% over the year; and the unrealised gain from PRC-based real estate companies of HK\$25.9 million or increase in fair value of 0.8% over the year). The Group believes that the decrease in price of bonds in PRC-based real estate sector in the Year, among others, was owing to the PRC property sector has been facing a huge bond maturity repayment pressure in 2018 and combined with restrictive refinancing channels which could lead to tight liquidity while the decrease in overseas financial institutions sector during the Year, among others, was owing to increase in United States Federal funds rate of 0.25% in March 2018, 0.25% in June 2018, 0.25% in September 2018 and 0.25% in December 2018.

During the Year, interest income from bonds amounted to HK\$623.4 million (2017: HK\$910.9 million), represented 8.72% (2017: 7.71%) (before effect on leverage) return on average market value of bondholding during the Year.

Summing up the realised and unrealised gain/loss and adding the net income from net dividend income, interest income, other investment income and net finance costs of HK\$1,556.0 million (2017: net dividend income, interest income, other net investment income and finance costs HK\$881.4 million), the gain recognised from listed securities investments and treasury products was HK\$280.8 million (2017: HK\$1,708.7 million).

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

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

The listed investments and treasury products at FVTPL recorded a loss before and after net finance costs of HK\$639.8 million and HK\$710.8 million (2017: profit before and after finance costs of HK\$1,751.5 million and HK\$1,647.2 million) respectively for the Year.

Loss from the listed investments and treasury products at FVTPL reflected in the consolidated statement of comprehensive income for the Year comprised a realised loss on fair value changes of bonds of HK\$20.1 million (2017: realised gain of HK\$227.0 million), an unrealised loss on fair value changes of bonds of HK\$1,255.1 million (2017: unrealised gain of HK\$600.3 million) and interest income and other investment income of HK\$635.4 million (2017: interest income and other net investment income of HK\$924.2 million). Net relevant finance costs for the Year was HK\$71.0 million (2017: relevant finance costs of HK\$104.3 million) including interest expense of HK\$79.8 million (2017: HK\$60.4 million) and exchange gain of HK\$8.8 million (2017: exchange loss of HK\$43.9 million).

*(a) Implication on Profit or Loss for the Year*

Dividend income from and finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Year. During the Year, dividend income of HK\$1,106.8 million was recorded from holding the Evergrande Shares, hence the result from listed equity investments at FVTOCI recorded a net gain of HK\$991.6 million (2017: HK\$61.5 million) comprised net relevant finance costs of HK\$115.6 million (2017: relevant finance costs of HK\$86.3 million), net dividend income of HK\$1,106.5 million (after transaction costs) and other investment income of HK\$0.7 million (2017: net dividend income of HK\$146.7 million (after withholding tax and transaction costs) from 577,180,500 H shares of Shengjing Bank Co., Ltd. (stock code: 2066) (“SJB Shares”) and other net investment income of HK\$1.1 million).

*(b) Implication on Other Comprehensive Expenses/Income for the Year*

During the Year, the unit share price of China Evergrande had been dropped from HK\$26.95 as at 29th December, 2017 (being the last trading day for the year ended 31st December, 2017) to HK\$23.45 as at 31st December, 2018, or 13.0% over the Year, hence an unrealised loss on fair value changes of listed equity investments at FVTOCI of HK\$3,052.2 million was recognised in other comprehensive expenses (2017: unrealised gain of HK\$9,928.3 million was recognised in other comprehensive income). Further, a realised gain on fair value change from disposal of certain Evergrande Shares of HK\$36.7 million (2017: from disposal of the SJB Shares of HK\$2,126.0 million) was recorded in other comprehensive income. 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 decrease in share price of China Evergrande for the Year, among others, was owing to the poor market sentiment on PRC-based companies with US\$ debt exposure against a weakened Renminbi (“RMB”) currency.

*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 reversal of impairment in respect of other receivable and interest thereon, increased to HK\$173.1 million (2017: HK\$132.0 million), representing an increase of 31.1% as compared with last year. The increase was mainly derived from the reversal of impairment in respect of other receivable and interest thereon of HK\$89.2 million (2017: HK\$4.7 million) despite of decrease in property management services, leasing administration services and property administration services income from HK\$52.2 million to HK\$29.8 million.

During the Year, administrative expenses decreased by 8.5% to HK\$255.5 million (2017: HK\$279.3 million). The decrease in administrative expenses was mainly due to the decrease in staff costs during the Year. Finance costs increased by 16.9% to HK\$345.0 million (2017: HK\$295.2 million) during the Year, including exchange gain of HK\$9.5 million (2017: exchange loss of HK\$52.2 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments and exchange loss of HK\$2.6 million (2017: nil) on translation of a foreign currency bank borrowing. The increase in finance costs was mainly due to the increase in interest rates during the Year.

Other gains and losses for the Year recorded a loss of HK\$2.6 million (2017: net gain of HK\$140.3 million, which mainly comprised gains on the Pinecrest Disposal and the Win Kings Disposal of HK\$143.3 million in total).

*Investments Accounted for Using the Equity Method*

The share of results of investments accounted for using the equity method recorded a profit of HK\$232.3 million (2017: HK\$189.9 million).

The share of results of associates for the Year was a profit of HK\$228.8 million as compared to HK\$189.9 million for last year. The increase was mainly due to the increase in fair value gain of investment properties held by an associate compared with last year and an underprovision of tax in prior years of an associate was recognised in 2017.

During the Year, the Group subscribed 50% equity interest in a joint venture holding a property located at Nos. 14-18 Ma Kok Street (known as Possehl Building) in Tsuen Wan. The share of results of a joint venture for the Year was a profit of HK\$3.5 million (2017: nil).

### Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31st December, 2018 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\$122.3 million (2017: HK\$564.5 million) was recorded during the Year. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

### **Profit, Core Profit, Dividends, Repurchase, Cash Payment Ratio and Total Comprehensive Expenses/Income**

#### Profit

Profit for the Year attributable to owners of the Company was HK\$1,015.3 million as compared to HK\$3,708.9 million for last year. The decrease in profit for the Year was mainly due to (i) no imputed interest income from deferred consideration receivables was recognised during the Year as compared with HK\$772.6 million recorded in 2017; (ii) no gain on disposal of subsidiary was recorded during the Year as compared with gains on the Pinecrest Disposal and the Win Kings Disposal of HK\$143.3 million in total recorded in 2017; (iii) decrease in profit from listed securities investments and treasury products of HK\$1,427.9 million; (iv) decrease in gain on fair value changes of investment properties of HK\$442.2 million; and (v) decrease in attributable property sales profit. Earnings per share for the Year was HK\$0.53 (2017: HK\$1.94).

#### Core Profit

During the year of 2017, the Group disposed of certain investment properties through disposals of subsidiaries, of which their costs were stated at fair value, and 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 was unrealised and recognised at the end of each reporting period, but excluded from core profit/loss as non-cash items. In the year of disposal, such unrealised gain/loss had become realised; and in computing core profit/loss, accumulated fair value gain/loss from prior years and current year were included as cash items.

If the net gain on the major non-cash items of HK\$297.0 million (2017: HK\$646.4 million) are excluded, the Group will have a core profit for the Year attributable to owners of the Company of HK\$718.3 million (2017: HK\$3,398.7 million including the 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 (including those recognised in properties revaluation reserve)) and a core profit per share of HK\$0.38 (2017: HK\$1.78).

The major non-cash items represented the attributable net unrealised fair value gain on investment properties together with their respective deferred tax from the Group and its associates and joint venture of HK\$297.0 million (2017: the Group and its associates of HK\$646.4 million).

#### Dividends

Final dividend of HK10 cents (year ended 31st December, 2016: HK1 cent) per share in total amount of HK\$190.8 million for the year ended 31st December, 2017 was paid in cash on 6th June, 2018.

Interim dividend of HK1 cent (half year ended 30th June, 2017: HK20 cents) per share in total amount of HK\$19.0 million for the half year ended 30th June, 2018 was paid in cash on 17th September, 2018.

No special interim dividend was paid for the Year. In the year of 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.

Total dividends of HK\$209.8 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\$718.3 million or HK\$0.38 per share (2017: HK\$3,398.7 million or HK\$1.78 per share); (b) cash final dividend for the Year of HK10 cents (2017: HK10 cents) per share proposed; (c) cash interim dividend for 2018 of HK1 cent (2017: HK20 cents) per share; and (d) no special interim dividend declared or paid (2017: cash special interim dividends of HK\$3.55 in aggregate per share paid), the ratio of such cash payment to the core profit is 28.9% (2017: 216.3%).

### Total Comprehensive Expenses/Income

Total comprehensive expenses for the Year attributable to owners of the Company was HK\$2,117.0 million or HK\$1.11 per share (2017: total comprehensive income of HK\$16,348.7 million or HK\$8.57 per share), which comprised (a) profit for the Year attributable to owners of the Company of HK\$1,015.3 million (2017: HK\$3,708.9 million); and (b) other comprehensive expenses for the Year attributable to owners of the Company of HK\$3,132.3 million (2017: other comprehensive income of HK\$12,639.8 million) which mainly included loss on fair value changes of listed equity investment at FVTOCI of HK\$3,015.5 million (2017: gains of HK\$12,054.3 million), details are disclosed in the subparagraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income (b) Implication on Other Comprehensive Expenses/Income for the Year” of paragraph headed “Securities Investments” above.

### **Net Asset Value**

As at 31st December, 2018, the Group’s net asset attributable to owners of the Company amounted to HK\$34,062.4 million (2017: HK\$36,385.9 million), a decrease of HK\$2,323.5 million or 6.4% when compared with 31st December, 2017. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2018 and 2017, the net asset value per share attributable to owners of the Company was HK\$17.86 (2017: HK\$19.07). The movement in net asset value was mainly due to (a) total comprehensive expenses for the Year attributable to owners of the Company of HK\$2,117.0 million; (b) final and interim dividends recognised as distribution during the Year totaling HK\$209.8 million; and (c) forfeiture of unclaimed dividends recorded in retained profits of HK\$3.3 million.

During the Year, loss on fair value changes of the listed equity investment categorised as financial assets measured at FVTOCI of HK\$3,015.5 million, as well as the transaction cost of disposal of certain Evergrande Shares of HK\$1.0 million (2017: gains of HK\$12,054.3 million, as well as the transaction costs of the disposal of the Group’s entire issued share capital of Great Captain Limited, an indirect wholly-owned subsidiary of the Company, of HK\$1.7 million) was recorded in other comprehensive expenses/income. Upon completion of disposal, the Group transferred the balance of the financial assets measured at FVTOCI reserve that related to the disposed listed equity investment of HK\$340.8 million (2017: negative balance of HK\$242.2 million) to retained profits. The cumulative amount of the gain on fair value change of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$6,571.0 million as at 31st December, 2018 (2017: HK\$9,928.3 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, 2018 of HK\$2,749.8 million (2017: HK\$2,804.8 million), of which current assets were HK\$7,104.6 million (2017: HK\$10,978.6 million) and current liabilities were HK\$9,854.4 million (2017: 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, 2018 was HK\$26,852.5 million (2017: HK\$33,849.5 million). Included in non-current assets were part of the bonds in the sum of HK\$1,271.6 million (2017: HK\$1,979.4 million) presented as financial assets measured at FVTPL and listed equity investment in the sum of HK\$20,167.0 million (2017: 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\$5,413.9 million (2017: 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\$7,330.5 million (2017: HK\$9,873.7 million) were presented as borrowings in current liabilities.

If the margin loans of HK\$7,330.5 million (2017: HK\$9,873.7 million) were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$4,240.4 million (2017:

HK\$5,221.0 million) and HK\$3,090.1 million (2017: HK\$4,652.7 million) were secured by the securities investments in non-current and current assets respectively.

If the margin loans secured by the securities investments in non-current assets of HK\$4,240.4 million (2017: 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 as at 31st December, 2018 of HK\$1,490.6 million (2017: HK\$2,416.2 million).

The ratio of margin loans against securities investments was loan-to-value ratio, which was 27.3% as at 31st December, 2018 (2017: 29.2%). 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, 2018 were presented as current assets, current assets would be increased by HK\$21,438.6 million (2017: HK\$25,090.1 million), and net current liabilities position of HK\$2,749.8 million (2017: HK\$2,804.8 million) would become net current assets position of HK\$18,688.8 million (2017: HK\$22,285.3 million).

The Group believes that the net current liabilities position as at 31st December, 2018 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 further diversified the bonds portfolio comprised of the bonds issued by overseas financial institutions and PRC-based real estate companies.

As at 31st December, 2018, the portfolio of listed securities investments and treasury products of HK\$26,852.5 million (2017: HK\$33,849.5 million) comprised (a) bonds (financial assets measured at FVTPL (non-current and current assets in aggregate)) of HK\$6,685.5 million (2017: HK\$10,738.8 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$20,167.0 million (2017: HK\$23,110.7 million), representing 55.1% (2017: 60.4%) of total assets.

The respective securities investments under different categories are elaborated below.

### Listed Equity Investments at Fair Value Through Other Comprehensive Income

During the year ended 31st December, 2017, the Group had acquired 857,541,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$13,182.4 million, and the Evergrande Shares were recorded as financial assets measured at FVTOCI. During the Year, the Group had acquired 18,705,000 shares and disposed of 16,246,000 shares of China Evergrande. The Group held 860,000,000 shares of China Evergrande, representing approximately 6.6% of the total issued share capital of China Evergrande as at 31st December, 2018.

After adding the unrealised fair value gain of HK\$9,928.3 million for 2017, the carrying amount of the Evergrande Shares as at 31st December, 2017 was HK\$23,110.7 million. During the Year, the Evergrande Shares portfolio was increased by a net purchase of HK\$71.8 million and after deducting the fair value loss of HK\$3,015.5 million for the Year, the carrying amount of the Evergrande Shares as at 31st December, 2018 was HK\$20,167.0 million. The cumulative unrealised gain on fair value change of the Evergrande Shares was reduced from HK\$9,928.3 million at the end of year 2017 to HK\$6,571.0 million as at 31st December, 2018 (after accounted for the transfer from the financial assets measured at FVTOCI reserve to retained profits during the Year), which was recorded in the financial assets measured at FVTOCI reserve. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

China Evergrande group is principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the PRC. According to the audited consolidated financial statements of China Evergrande for the years ended 31st December, 2017 and 2016, the revenue and profit attributable to shareholders were RMB311.0 billion (2016: RMB211.4 billion) and RMB24.4 billion (2016: RMB5.1 billion) respectively; while the total assets and total equity were RMB1,761.8 billion (2016: RMB1,350.9 billion) and RMB242.2 billion (2016: RMB192.5 billion) respectively, the net debt was RMB444.9 billion (2016: RMB230.7 billion). In accordance with the unaudited consolidated financial statements of China Evergrande for the six months ended 30th June, 2018, the revenue and profit attributable to shareholders were RMB300.3 billion and RMB30.8 billion respectively; while the total assets and total equity were RMB1,769.9 billion and RMB324.5 billion respectively, the net debt was RMB413.2 billion. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

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

As at 31st December, 2017, the carrying amounts of the bonds presented as financial assets measured at FVTPL was HK\$10,738.8 million. During the Year, the bonds portfolio was decreased by a net disposal of HK\$2,778.1 million. After deducting the fair value loss of HK\$1,275.2 million, the bonds portfolio of the Group became HK\$6,685.5 million as at 31st December, 2018, which formed part of the Group's cash management activities.

As at 31st December, 2018, the bonds portfolio comprised of bonds issued by overseas financial institutions of 53.7%, PRC-based real estate companies of 41.6% and other industries of 4.7%. They are denominated in different currencies with 96.7% in US\$ and 3.3% in GBP. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 9.375% per annum of which notional amount of US\$911.4 million are callable, the bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% per annum are callable. As at 31st December, 2018, the bonds portfolio comprised of 25 bonds (2017: 39 bonds); in terms of credit rating, investment grade, non-investment grade and unrated were 5 bonds, 16 bonds and 4 bonds (2017: 10 bonds, 22 bonds and 7 bonds) respectively. In terms of maturity, 14 bonds (2017: 27 bonds) were contingent convertible bonds issued by overseas financial institutions of which 14 bonds (2017: 25 bonds) were perpetual and no fixed tenor bond (2017: 2 bonds would be matured in 2023). 11 bonds (2017: 12 bonds) were issued by issuers other than overseas financial institutions of which 3 bonds (2017: 4 bonds) were perpetual and the remaining 8 bonds (2017: 8 bonds) will be matured between 2021 to 2046 (2017: between 2018 to 2046).

#### Unlisted Securities Investments

The Group invested in the Cayman Islands Partnership and the carrying amount was HK\$578.2 million as at 31st December, 2017. During the Year, the Group has contributed US\$2.7 million (equivalent to approximately HK\$21.0 million) and received distribution of US\$2.7 million (equivalent to approximately HK\$21.0 million) (which was included in financial assets measured at FVTOCI), after deducting the fair value loss for the Year of HK\$170.1 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$408.1 million as at 31st December, 2018, representing 0.8% (2017: 1.0%) 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, 2018 and 2017 were 1,907,619,079.

### **Debt and Gearing**

As at 31st December, 2018, the Group's bank and other borrowings amounted to HK\$13,747.7 million (2017: HK\$18,308.5 million (including loan from a director)). Cash and deposits at banks amounted to HK\$714.6 million (2017: HK\$659.4 million), pledged deposits amounted to HK\$237.4 million (2017: HK\$263.5 million) and net borrowings amounted to HK\$12,795.7 million (2017: HK\$17,385.6 million).

Total debt to equity ratio was 40.3% (2017: 50.2%) and net debt to equity ratio was 37.5% (2017: 47.6%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$34,143.6 million (2017: HK\$36,493.0 million). The decrease in both ratios was mainly due to decrease in total debt and net debt during the Year.

If the listed securities investments and treasury products of HK\$26,852.5 million (2017: HK\$33,849.5 million) are included, there would be a net cash position of HK\$14,056.8 million (2017: HK\$16,463.9 million).

As at 31st December, 2018, the Group's bank and other borrowings of HK\$13,747.7 million, 67.6%, 1.0% and 31.4% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (54.5%), GBP (30.1%) and US\$ (15.4%) before entering the cross currency swap. HK\$, GBP and US\$ securities investments were hedged by HK\$, GBP and US\$ borrowings. During the Year, the Group has entered into short term US\$/HK\$ cross currency swap to enhance interest payable on borrowing, and as at 31st December, 2018, notional amount of approximately US\$158.4 million was outstanding. The Group's bank borrowings were carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate; other borrowings were carried at interest rates calculated with reference to cost of funds and HIBOR. As at 31st December, 2018, all the Group's borrowings were on floating rate basis. Except as disclosed, no hedging for interest rate is subsisted at the end of the reporting period.

### **Pledge of Assets**

As at 31st December, 2018, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$12,770.6 million (2017: HK\$14,234.3 million) and bank deposits of HK\$208.6 million (2017: HK\$209.7 million) were pledged to the banks to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investment with carrying amounts of HK\$25,445.5 million (2017: HK\$33,176.6 million) and cash deposits of HK\$28.8 million (2017: HK\$53.8 million) were pledged to the financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$7,330.5 million (2017: HK\$9,873.7 million) was utilised as at 31st December, 2018 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, investment income and other income. Interest income for the Year was HK\$673.3 million, representing a decrease of 60.2% over last year of HK\$1,691.7 million, mainly due to no imputed interest income from deferred consideration receivable was recognised during the Year (2017: HK\$772.6 million).

Finance costs included interest expenses on bank and other borrowings; exchange difference on translation of foreign currency borrowings; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Year amounted to HK\$342.4 million, representing an increase of 45.9% over last year of HK\$234.6 million. No interest was capitalised for the Year (2017: HK\$0.1 million). The increase in interest expenses was mainly due to the increase in interest rates during the Year. The average interest rate over the year under review was 2.28% (2017: 1.55%), 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, 2018, the Group employed a total of 476 staff (2017: 528 staff) including about 237 staff (2017: 254 staff) employed under the estate management company in Hong Kong.

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**

As at 31st December, 2018, the Group’s investment properties in the United Kingdom with carrying amount of GBP855.4 million (equivalent to approximately HK\$8,501.5 million) (2017: GBP878.3 million (equivalent to approximately HK\$9,231.2 million)) incurred a net loss of HK\$21.4 million (2017: net profit of HK\$291.5 million) to the Group for the Year, the loss (2017: profit) mainly included in gross profit, fair value changes on investment properties, finance costs and taxation. GBP exchange loss of foreign operations included in other comprehensive expenses for the Year amounted to HK\$259.5 million (2017: exchange gain of HK\$385.6 million included in other comprehensive income). As at 31st December, 2018, the Group’s net investment in the United Kingdom amounted to HK\$4,826.2 million (2017: HK\$5,095.2 million) representing 14.1% (2017: 14.0%) of the Group’s total equity.

Profit contribution from the Group’s investment in Mainland China (mainly included in other income, fair value changes on investment properties and share of results of associates) for the Year amounted to HK\$69.0 million (2017: HK\$68.6 million mainly included in gross profit, fair value changes on investment properties, gain on disposal of subsidiaries, share of results of associates and taxation). RMB exchange loss of foreign operations included in other comprehensive expenses (including share of an associate) for the Year amounted to HK\$25.4 million (2017: exchange gain of HK\$34.0 million included in other comprehensive income). The Group’s net investment in Mainland China as at 31st December, 2018 amounted to HK\$574.1 million (2017: HK\$533.3 million) representing 1.7% (2017: 1.5%) of the Group’s total equity.

### **Property Valuation**

Property valuations in respect of the Group’s investment properties in Hong Kong and Mainland China as at 31st December, 2018 and 2017 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, 2018 and 2017 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 2018 final results.

The Group’s investment properties were valued at HK\$15,280.8 million (2017: HK\$15,650.0 million), a 0.8% increase over 2017 after adjusted for the exchange adjustments of investment properties during the Year. The increase in fair value of HK\$122.3 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 and a joint venture of HK\$173.8 million in total for the Year.

The increase in fair value of HK\$122.3 million was mainly derived from increase in fair value of Harcourt House while decrease in fair value of 14 St George Street located in London, the United Kingdom. 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.

As at 31st December, 2018, the occupancy rate of the shops of Causeway Place was approximately 89.05%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 97.73% during the Year.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 65.62% during the Year.

During the Year, the average occupancy rate of the Group's office property, Harcourt House was approximately 93.33%.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the occupancy rate was approximately 97.92% as at 31st December, 2018.

In March 2018, the Group through subscription of 50% equity interest in a joint venture, invested in a 8-storey industrial building located at Nos. 14-18 Ma Kok Street (known as Possehl Building) in Tsuen Wan (50% interest). Its current total gross floor area is approximately 120,000 square feet and it was fully let as at 31st December, 2018.

### **Hong Kong Property Development**

In general, the Group's development projects have been progressing satisfactorily and sales of trading properties has recorded a pleasing results.

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, 2018, all residential units were sold and handed over to purchasers.

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, 2018, 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, 2018, 99.86% of total units were sold.

Grand Central (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 in two phases. Presale consent applications of both phases were approved during the Year. Since the presales commenced in December 2018, 866 units of first phase and 518 units of second phase were presold up to 31st December, 2018. Superstructure works of both phases are in progress, the whole project will be completed in the first quarter of 2021.

### **Mainland China Property Investment**

Hilton Beijing (50% interest), a five-star international hotel having 502 rooms, average occupancy rate was approximately 59.75% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 86.16% for the Year.

## **Overseas Property Investment**

Overall, approximately 98.24% of the Group's investment property portfolio in the United Kingdom had been let out during the Year.

River Court is 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. During the Year, River Court was fully let.

"14 St George Street" is 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. It was fully let during the Year.

"61-67 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. It was fully let during the Year.

"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 office accommodation arranged over lower ground, ground and six upper floors, approximately 92.97% had been let out during the Year on average.

## **Securities Investment**

Securities investment is one of the principal activities of the Group.

The Group's strategy is to maintain securities investment portfolio for treasury management. As at 31st December, 2018, the Group's securities investment portfolio comprised of bonds and listed equity investments. 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 securities investments for the Year was approximately HK\$280.8 million. Details of the performance of securities investments 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**

### **Connected Transaction and Continuing Connected Transactions – Agreements for Tenancies**

The Group (as tenant) has on 28th February, 2019 entered into (a) a tenancy agreement in relation to the leasing of the whole of 17th floor of Chubb Tower, Windsor House; and (b) an agreement for lease in relation to the leasing of the whole of 19th floor, the whole of 20th floor and the whole of 21st floor of Chubb Tower, Windsor House, with a company indirectly owned by (i) Ms. Chan, Hoi-wan (an executive Director and a trustee of the substantial shareholders of the Company (who are two of her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; (ii) Mr. Lau, Ming-wai (a non-executive Director, the chairman of the Board and a substantial shareholder of the Company); and (iii) a family trust of Mr. Joseph Lau, Luen-hung (the spouse of Ms. Chan, Hoi-wan) (as landlord) (the "Transactions"). Such premises will be used as part of the coming new headquarter of the Group. The Transactions constitute a connected transaction and continuing connected transactions for the Company as more described in the Company's announcement dated 28th February, 2019.

### **Adoption of Dividend Policy**

The Board has approved and adopted a Dividend Policy for the Company on 5th March, 2019 that aims to set out the principles and guidelines of the Company in relation to the declaration, recommendation and payment of dividends to its shareholders.

Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. Distribution of dividends should be in the interests of the Company and its shareholders as a whole. When considering dividend declaration or recommendation, the Board shall take into account the following factors:-

- (i) business condition and strategy of the Group;
- (ii) capital requirement for the Group's existing/potential project or investment;
- (iii) earnings, financial and cash flow position and distributable reserves of the Company and the Group; and
- (iv) other factors that the Board deems relevant.

The declaration and payment of dividends is subject to the provisions of the Bye-laws of the Company, the Bermuda Companies Act 1981 (as amended from time to time) and any other applicable laws, rules and regulations.

The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in future.

The Board has the sole discretion to recommend or not to recommend final dividends to the shareholders for approval; and to declare or not to declare any other dividends, including but not limited to interim and/or special dividends, after taking into consideration the factors as stated in the Dividend Policy.

The Dividend Policy may be updated, amended, modified and/or cancelled from time to time as the Board may think fit and necessary.

## **PROSPECTS**

The development of US-China trade war remains fluid. The global economic outlook is still subject to many uncertainties and is anticipated to be challenging in the year 2019.

In Hong Kong, residential property prices cooled over the past few months, resulting from the pressure of the prolonged US-China trade tensions, anticipation on rising interest rates and global stock market corrections.

The local commercial and retail property markets have seen better resilience. Currently, the Group's investment properties continue to contribute stable stream of income. It is anticipated that tourist numbers from Mainland China will be driven up on the back of the completion of Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong High Speed Rail. The Group's investment properties will be benefited in return.

In the United Kingdom, Brexit is undoubtedly casting a shadow of uncertainty over the country. Nevertheless, the Group's four commercial and residential properties in London are long term investments and it is anticipated that property rental in London will continue to bring stable income in a long run.

In Mainland China, the ongoing trade disputes with U.S. and the slowing economic growth both affected the performance of Chinese stocks and bonds adversely. The Group will continue to identify potential securities investments, while taking cautious view on the market performance so as to enhance returns on securities investment activities.

As global uncertainties continues to dominate, the Group will adopt caution measures and prepare to respond to the rapidly changing and challenging environment.

## **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 Meeting**

Mr. Lau, Ming-wai, a Non-executive Director ("NED"), was unable to attend the annual general meeting of the Company held on 18th May, 2018 ("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.



## **Code Provision E.1.2**

### **– Chairman Attending Annual General Meeting**

Mr. Lau, Ming-wai, 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 Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of the Nomination Committee, Ms. Phillis Loh, Lai-ping 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, 5th March, 2019

*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 5th March, 2019.*