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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 31 December 2019 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31 December 2018 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 HK\$’000	2018 HK\$’000
Revenue	3	538,986	843,618
Cost of sales		(27,535)	(124,507)
Gross profit		511,451	719,111
Other income	5	59,910	173,062
Investment income, net	6	1,885,677	542,002
Administrative expenses		(269,516)	(255,506)
(Loss) gain on disposals of equipment, net		(173)	1,181
Fair value changes on investment properties		(742,659)	122,301
Finance costs	7	(370,185)	(344,990)
Other gains and losses		(12,341)	(2,559)
Impairment loss of goodwill	8	(322,938)	-
Share of results of investments accounted for using the equity method		209,684	232,252
Profit before tax		948,910	1,186,854
Income tax expense	9	(157,258)	(127,041)
Profit for the year	10	791,652	1,059,813

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Other comprehensive expenses			
<i>Items that will not be reclassified to profit or loss</i>			
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income		(1,187,045)	(2,847,447)
Share of other comprehensive (expenses) income of investments accounted for using the equity method		<u>(38)</u>	<u>132</u>
		<u>(1,187,083)</u>	<u>(2,847,315)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		106,977	(274,773)
Reclassification adjustment related to dissolution of foreign operations		10,678	-
Share of other comprehensive expenses of investments accounted for using the equity method		<u>(4,344)</u>	<u>(10,182)</u>
		<u>113,311</u>	<u>(284,955)</u>
Other comprehensive expenses for the year (net of tax)		<u>(1,073,772)</u>	<u>(3,132,270)</u>
Total comprehensive expenses for the year		<u>(282,120)</u>	<u>(2,072,457)</u>
Profit for the year attributable to:			
Owners of the Company		790,167	1,015,290
Non-controlling interests		<u>1,485</u>	<u>44,523</u>
		<u>791,652</u>	<u>1,059,813</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(283,605)	(2,116,980)
Non-controlling interests		<u>1,485</u>	<u>44,523</u>
		<u>(282,120)</u>	<u>(2,072,457)</u>
Earnings per share (HK\$)			
Basic and diluted	12	<u>0.414</u>	<u>0.532</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investment properties		14,759,507	15,280,848
Property, plant and equipment		45,524	36,654
Right-of-use assets		136,899	-
Intangible assets		-	-
Goodwill	8	-	322,938
Investments accounted for using the equity method		2,433,328	2,276,177
Advances to associates		48,111	49,259
Advance to a joint venture		158,818	154,218
Financial assets measured at fair value through profit or loss	13	1,670,271	1,350,090
Financial assets measured at fair value through other comprehensive income	14	20,182,543	21,367,307
Advances to investee companies		105,902	652,304
Advance to a non-controlling shareholder		-	11,170
Deferred tax assets		1,592	1,899
Pledged deposits		100,002	83,203
Prepayments	15	15,388	-
		<u>39,657,885</u>	<u>41,586,067</u>
Current assets			
Stock of properties		224,380	228,799
Financial assets measured at fair value through profit or loss	13	7,368,082	5,415,827
Inventories		2,328	3,187
Debtors, deposits, other receivables and prepayments	15	301,181	517,562
Securities trading receivables and deposits		16,961	22,497
Tax recoverable		1,432	15,670
Pledged deposits		174,221	154,195
Time deposits, bank balances and cash		565,319	714,572
Sales proceeds held by stakeholders		-	32,327
		<u>8,653,904</u>	<u>7,104,636</u>
Current liabilities			
Creditors and accruals	16	151,010	247,187
Securities trading and margin payable		11,246	22,295
Deposits and receipts in advance		218,235	218,633
Lease liabilities		47,929	-
Tax liabilities		117,700	62,656
Borrowings		9,240,299	9,303,688
Derivative financial instrument		6,060	-
		<u>9,792,479</u>	<u>9,854,459</u>
Net current liabilities		<u>(1,138,575)</u>	<u>(2,749,823)</u>
Total assets less current liabilities		<u>38,519,310</u>	<u>38,836,244</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Equity attributable to owners of the Company		
Share capital	190,762	190,762
Financial assets measured at fair value through other comprehensive income reserve	5,829,284	7,016,367
Statutory reserve	668	668
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(479,897)	(593,208)
Retained profits		
- proposed final dividend	19,076	190,762
- others	25,371,285	24,619,270
	<u>33,568,925</u>	<u>34,062,368</u>
Non-controlling interests	<u>21,436</u>	<u>81,201</u>
Total equity	<u>33,590,361</u>	<u>34,143,569</u>
Non-current liabilities		
Borrowings	4,201,960	4,443,987
Amounts due to associates	212,419	171,619
Amounts due to investee companies	368,563	-
Amounts due to non-controlling shareholders	333	24,177
Lease liabilities	84,125	-
Deferred tax liabilities	61,549	52,892
	<u>4,928,949</u>	<u>4,692,675</u>
	<u>38,519,310</u>	<u>38,836,244</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 31 December 2019, the Group’s current liabilities exceeded its current assets by approximately HK\$1,138,575,000 (2018: HK\$2,749,823,000). 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 31 December 2019, 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 securities investments and treasury products presented as non-current assets as at 31 December 2019 in aggregate of approximately HK\$20,186,103,000 (2018: HK\$21,438,609,000) (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 31 December 2019. 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 31 December 2019. 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 31 December 2018 except as described below.

In the current year, the Group has applied, for the first time, the following new HKFRS, new interpretation and amendments to existing HKFRSs (“2019 new HKFRSs”) issued by the HKICPA, which are effective for the current financial year of the Group. The 2019 new HKFRSs adopted by the Group in these consolidated financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

2. Principal Accounting Policies (continued)

HKFRS 16 Leases

Accounting policies applied from 1 January 2019

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations when it became effective. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 “Revenue from Contracts with Customers” as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Subject to limited exceptions for short-term leases and low-value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and the comparative information for 2018 was not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” at the date of initial application.

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for office premises and equipment. As a lessee, the Group previously classified leases as operating leases. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of twelve months or less. Accordingly, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. In addition, lease payments in relation to lease liability are allocated into a principal and an interest portion which are presented as financing cash flows in the consolidated statement of cash flows by the Group.

Impacts on transition

In accordance with the transitional provision under HKFRS 16, the Group applied the simplified transition approach on 1 January 2019. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. All right-of-use assets were measured at the amount of lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses, if any).

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applied the short-term lease recognition exemption to leases with lease term that ends within twelve months at the date of initial application; and
- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

2. Principal Accounting Policies (continued)

HKFRS 16 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK\$'000
Assets	
Increase in right-of-use assets	7,825
Properties	6,593
Equipment	1,232
Liabilities	
Increase in lease liabilities	7,825
Non-current portion	4,588
Current portion	3,237

The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 2.73%. The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	20,138
Less: Commitments relating to short-term leases	(1,688)
Leases not yet commenced on 1 January 2019	(10,375)
	8,075
Discounted operating lease commitments, lease liabilities recognised as at 1 January 2019	7,825

Summary of new accounting policies

As a result of the adoption of HKFRS 16, the new accounting policies of the Group which have been applied from the date of initial application are set out below:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

2. Principal Accounting Policies (continued)

HKFRS 16 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with termination option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group has the option, under some of its leases, to terminate the lease with prior written notice without any compensation. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to terminate. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Amounts recognised in consolidated financial statements

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Year are as follows:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000
At 1 January 2019	7,825	7,825
Additions	148,754	134,743
Depreciation (Note 10)	(19,680)	-
Interest expense (Note 7)	-	1,086
Lease payments	-	(11,600)
At 31 December 2019	136,899	132,054
Analysed for reporting purpose as:		
Non-current	136,899	84,125
Current	-	47,929
	136,899	132,054

The Group recognised rental expenses from short-term leases of approximately HK\$37,602,000 (Note 10) during the Year.

Save as disclosed above, the application of the 2019 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.

2. Principal Accounting Policies (continued)

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

HKFRS 3 (Amendments)	Definition of a Business ¹
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ²

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

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

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

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

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

3. Revenue

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

	2019 HK\$’000	2018 HK\$’000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of properties held for sale	-	273,989
Brokerage and cosmetic income	16,023	25,096
	16,023	299,085
Revenue from other source:		
Property rental income	522,963	544,533
	538,986	843,618

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) 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
Investments and treasury products at FVTPL	–	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, and impairment loss of goodwill. 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, right-of-use assets, deferred tax assets and tax recoverable (2018: also included advance to a non-controlling shareholder and derivative financial instrument).

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amounts due to investee companies, amounts due to non-controlling shareholders, lease liabilities, deferred tax liabilities and derivative financial instrument.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2018.

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 was one (2018: two) major customer(s) who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$174,695,000 was derived from a customer in non-retail property leasing segment in the United Kingdom (2018: HK\$273,989,000 was derived from a customer in property development and trading segment in Hong Kong and HK\$183,303,000 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 31 December 2019

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	2,223,299	-	-	2,223,299
- Other countries	-	-	-	-	138,403	-	-	138,403
	-	-	-	-	2,361,702	-	-	2,361,702
Revenue								
Revenue from external customers								
- Hong Kong	-	42,447	140,641	-	-	5,256	10,767	199,111
- United Kingdom	-	34,539	304,661	-	-	-	-	339,200
- Mainland China	-	-	675	-	-	-	-	675
	-	76,986	445,977	-	-	5,256	10,767	538,986
Revenue from external customers								
- Hong Kong	-	76,986	445,977	-	-	5,256	10,767	538,986
Attributable property sales from investee company								
- Hong Kong	10	-	-	-	-	-	-	10
Attributable rental revenue from associates/joint venture/investee company								
- Hong Kong	-	20,864	45,765	-	-	-	-	66,629
- Mainland China	-	55,043	8,054	-	-	-	-	63,097
	10	152,893	499,796	-	-	5,256	10,767	668,722
Result								
Segment result								
- Hong Kong	-	38,031	133,555	(1)	1,259,177	(5,106)	15,152	1,440,808
- United Kingdom	-	33,414	300,555	-	-	111	-	334,080
- Mainland China	-	-	394	-	-	2,095	-	2,489
- Other countries	-	-	-	-	639,995	-	-	639,995
	-	71,445	434,504	(1)	1,899,172	(2,900)	15,152	2,417,372
Share of results of investments accounted for using the equity method								
Attributable gross income								
- Hong Kong	-	19,673	45,480	-	-	-	2,276	67,429
- Mainland China	-	55,043	8,054	-	-	-	-	63,097
Attributable operating cost								
- Hong Kong	-	(1,009)	(7,883)	-	-	-	-	(8,892)
- Mainland China	-	(24,979)	(2,848)	-	-	-	-	(27,827)
	-	120,173	477,307	(1)	1,899,172	(2,900)	17,428	2,511,179
Finance costs								
- Hong Kong	-	-	-	(113,197)	(100,307)	-	-	(213,504)
Other gains and losses								
- Hong Kong	(1,619)	-	(10)	-	-	-	(34)	(1,663)
Share of results of investments accounted for using the equity method								
- Income tax and others	(47)	(41,160)	(6,073)	-	-	-	(387)	(47,667)
	(1,666)	79,013	471,224	(113,198)	1,798,865	(2,900)	17,007	2,248,345
Unallocated items								
Unallocated corporate expenses, net								(230,023)
Unallocated finance costs								(156,681)
Loss on dissolution of subsidiaries								(10,678)
Income tax expense								(152,107)
Non-controlling interests								(1,485)
Operating profit for the year attributable to owners of the Company								1,697,371
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								(579,115)
- Deferred tax expense								(5,151)
- Impairment loss of goodwill								(322,938)
Profit for the year attributable to owners of the Company								790,167
Core profit for the year attributable to owners of the Company								1,697,371

4. Operating Segments (continued)
Consolidated Statement of Financial Position
At 31 December 2019

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	974,604	1,909,092	5,194,356	18,578,662	7,481,050	388,525	192,445	34,718,734
- United Kingdom	-	1,389,050	6,940,511	-	-	-	-	8,329,561
- Mainland China	256,026	-	29,007	-	-	4,350	-	289,383
- Other countries	-	-	-	-	1,607,908	558,780	-	2,166,688
Investments accounted for using the equity method								
- Hong Kong	37,704	435,133	1,776,644	-	-	1,990	6,228	2,257,699
- Mainland China	-	133,409	42,220	-	-	-	-	175,629
Advances to associates and a joint venture								
- Hong Kong	123	-	158,933	-	-	2	1,136	160,194
- Mainland China	-	35,503	11,232	-	-	-	-	46,735
Reportable segment assets	<u>1,268,457</u>	<u>3,902,187</u>	<u>14,152,903</u>	<u>18,578,662</u>	<u>9,088,958</u>	<u>953,647</u>	<u>199,809</u>	<u>48,144,623</u>
Unallocated corporate assets								<u>167,166</u>
Consolidated total assets								<u>48,311,789</u>
Liabilities								
Segment liabilities								
- Hong Kong	66,619	20,960	75,047	2,904,077	3,697,718	13,948	6,844	6,785,213
- United Kingdom	-	14,980	177,445	-	-	-	-	192,425
- Mainland China	23	-	197	-	-	2	-	222
- Other countries	-	-	-	-	530,990	6	-	530,996
Reportable segment liabilities	<u>66,642</u>	<u>35,940</u>	<u>252,689</u>	<u>2,904,077</u>	<u>4,228,708</u>	<u>13,956</u>	<u>6,844</u>	<u>7,508,856</u>
Unallocated corporate liabilities								<u>7,212,572</u>
Consolidated total liabilities								<u>14,721,428</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	-	-	17,813	-	-	64	57	

Other Material Items
For the year ended 31 December 2019

	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	724,924	-	-	724,924
Finance costs	(213,504)	(156,681)	-	(370,185)
Net income	511,420	(156,681)	-	354,739
Depreciation of:				
- Property, plant and equipment	-	(7,384)	-	(7,384)
- Right-of-use assets	-	(19,680)	-	(19,680)
Fair value changes on investment properties	-	-	(742,659)	(742,659)
Write-down of stock of properties	(681)	-	-	(681)
Impairment loss of goodwill	-	-	(322,938)	(322,938)
Share of results of investments accounted for using the equity method	46,140	-	163,544	209,684
Income tax expense	-	(152,107)	(5,151)	(157,258)
Non-controlling interests	-	(1,485)	-	(1,485)

4. Operating Segments (continued)
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	4,937,729	-	-	4,937,729
- Other countries	-	-	-	-	443,255	-	-	443,255
	-	-	-	-	5,380,984	-	-	5,380,984
Revenue								
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
Result								
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	(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
Operating profit for the year attributable to owners of the Company								
Major non-cash items								
- 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
Profit for the year attributable to owners of the Company								
								1,015,290
Core profit for the year attributable to owners of the Company								
								718,341

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

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	1,651,525	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	<u>1,989,155</u>	<u>4,181,700</u>	<u>14,515,731</u>	<u>20,167,010</u>	<u>6,771,431</u>	<u>922,582</u>	<u>83,987</u>	<u>48,631,596</u>
Unallocated corporate assets								<u>59,107</u>
Consolidated total assets								<u>48,690,703</u>
Liabilities								
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	<u>166,209</u>	<u>37,057</u>	<u>236,953</u>	<u>3,809,914</u>	<u>3,524,120</u>	<u>35,884</u>	<u>8,452</u>	<u>7,818,589</u>
Unallocated corporate liabilities								<u>6,728,545</u>
Consolidated total liabilities								<u>14,547,134</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>-</u>	<u>-</u>	<u>2,224</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>16</u>	

Other Material Items

For the year ended 31 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	486,687	(158,360)	-	328,327
Depreciation of:				
- Property, plant and equipment	-	(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	-	(127,847)	806	(127,041)
Non-controlling interests	(52,313)	7,790	-	(44,523)

5. Other Income

	2019 HK\$'000	2018 HK\$'000
Included in other income are:		
Building management fee income	28,225	35,086
Building management fee expenses	(15,962)	(19,037)
	12,263	16,049
Rental services income	5,071	6,693
Property management services, leasing administration services and property administration services income	32,549	29,797
Advisory and consultancy services income	34	37
Asset management and maintenance services income	-	5
Overprovision of costs in respect of a development project, net	6,452	-
Consultancy fee income	-	14,766
Exchange gain, net	-	4,301
Reversal of impairment in respect of other receivable and interest thereon of approximately HK\$39,941,000	-	89,186

6. Investment Income, Net

	2019 HK\$'000	2018 HK\$'000
Financial assets measured at fair value through profit or loss:		
Unrealised gain (loss) arising from change in fair value of bonds	978,452	(1,255,094)
Realised gain (loss) arising from change in fair value of bonds		
- Change in fair value	180,905	(24,721)
- Exchange component of change	3,311	4,593
Net gain (loss) arising from change in fair value of bonds	1,162,668	(1,275,222)
Realised loss arising from change in fair value of fixed coupon notes	(412)	-
Realised loss arising from change in fair value of currency option	(281)	-
Unrealised (loss) gain arising from change in fair value of club and corporate debentures	(13,090)	8,592
Realised loss arising from change in fair value of club debentures	(1,071)	-
(Loss) gain arising from change in fair value of club and corporate debentures	(14,161)	8,592
Unrealised (loss) gain arising from change in fair value of cross currency swap	(6,060)	1,921
Realised loss arising from change in fair value of cross currency swap	(1,921)	-
(Loss) gain arising from change in fair value of cross currency swaps	(7,981)	1,921
Other investment income, net	21,339	12,450
Dividends income on:		
Listed investment	-	1,106,820
Unlisted investments	-	54,750
Interest income	724,505	632,691
	1,885,677	542,002

Interest income mainly included interest income from bonds and fixed coupon notes (“FCN”) of approximately HK\$715,857,000 (2018: interest income from bonds of HK\$623,366,000).

7. Finance Costs

	2019 HK\$'000	2018 HK\$'000
Interest on:		
Bank borrowings	157,969	146,250
Other borrowings	217,801	196,106
Lease liabilities	1,086	-
Total interest	<u>376,856</u>	<u>342,356</u>
Exchange gain on translation of foreign currency bank and other borrowings, net	(13,789)	(6,926)
Other finance costs	<u>7,118</u>	<u>9,560</u>
	<u>370,185</u>	<u>344,990</u>

8. Impairment Loss of Goodwill

As at 31 December 2019, the management noted that the anchor tenant of the investment property of the Group located in the United Kingdom will surrender the lease in the first quarter of 2020 and thereafter asset enhancement work to the investment property is expected to carry out by the Group. Based on this assumption, an independent professional valuer has carried out a value-in-use calculation of the cash-generating unit (“CGU”) operated in the United Kingdom, the Group recognised a full impairment loss of goodwill of approximately HK\$322,938,000 (2018: nil) attributable to the United Kingdom CGU during the Year.

9. Income Tax Expense

	2019 HK\$'000	2018 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	106,654	73,155
Other than Hong Kong	42,475	46,938
	<u>149,129</u>	<u>120,093</u>
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(297)	4,644
Other than Hong Kong	201	(2,297)
	<u>(96)</u>	<u>2,347</u>
Deferred tax:		
Current year charge	8,225	4,601
	<u>157,258</u>	<u>127,041</u>

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 People’s Republic of China (“PRC”) Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2018: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. Profit for the Year

	2019 HK\$'000	2018 HK\$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(133,041)	(137,909)
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$331,000 (2018: HK\$716,000)	(8,077)	(7,734)
	(141,118)	(145,643)
Auditors' remuneration:		
Auditors of the Company		
- Current year	(2,015)	(2,014)
Other auditors		
- Current year	(546)	(542)
- Underprovision in prior years	(6)	(27)
Depreciation of:		
- Property, plant and equipment	(7,384)	(6,806)
- Right-of-use assets	(19,680)	-
	(27,064)	(6,806)
Exchange loss, net	(709)	-
Rental expenses from short-term leases	(37,602)	-
Cost of trading properties recognised	-	(71,064)
Cost of cosmetic products recognised	(4,457)	(4,355)
Share of tax of associates	(8,135)	(9,535)
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)	(8,135)	(10,163)
Gross rental income from investment properties	522,963	544,533
Less: Direct operating expenses from investment properties that generated rental income during the year	(13,341)	(14,197)
Direct operating expenses from investment properties that did not generate rental income during the year	(3,673)	(3,034)
	505,949	527,302
Reversal of impairment loss (impairment loss) recognised in respect of trade receivables, net	27	(6)
(Impairment loss) reversal of impairment loss recognised in respect of other receivables, net	(18)	48,998
Impairment loss recognised in respect of advances to associates	(982)	-

11. Dividends

	2019 HK\$'000	2018 HK\$'000
(a) Final dividend for 2018 paid on 12 June 2019 of HK10 cents (2017: HK10 cents) per share	190,762	190,762
(b) Interim dividend for 2019 paid on 27 August 2019 of HK1 cent (2018: HK1 cent) per share	19,076	19,076
Total dividends paid	209,838	209,838

Final dividend for the Year of HK1 cent (2018: 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:

	2019 HK\$'000	2018 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>790,167</u>	<u>1,015,290</u>
	Number of shares	
	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted earnings per share for the years ended 31 December 2019 and 2018 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

	2019 HK\$'000	2018 HK\$'000
Bonds	8,975,533	6,685,515
Club and corporate debentures	62,820	78,481
Derivative financial instrument - cross currency swap	-	1,921
	<u>9,038,353</u>	<u>6,765,917</u>
Analysed for reporting purpose as:		
Non-current	1,670,271	1,350,090
Current	7,368,082	5,415,827
	<u>9,038,353</u>	<u>6,765,917</u>

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

Notional amount	Maturity
US\$102,000,000	2020
US\$18,500,000	2021
US\$52,000,000	2022
US\$177,000,000	2023
US\$268,000,000	2024
US\$40,000,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$400,015,000	Perpetual
GBP24,500,000	Perpetual

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

	2019 HK\$'000	2018 HK\$'000
Listed investments:		
- Equity securities listed in Hong Kong (<i>note (i)</i>)	18,578,652	20,167,000
Unlisted equity securities:		
- Incorporated in Hong Kong (<i>note (ii)</i>)	1,045,621	707,542
- Incorporated elsewhere (<i>note (iii)</i>)	558,270	492,765
	20,182,543	21,367,307

Notes:

- (i) As at 31 December 2019, the Group's portfolio of listed equity investments mainly comprised 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 HK\$1,591,000,000 (2018: HK\$3,052,253,000), 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 31 December 2019 was HK\$18,576,000,000 (2018: HK\$20,167,000,000).
- (ii) As at 31 December 2019, the carrying amount mainly comprised investment in a property development project in Hong Kong (10% interest) of HK\$882,763,000 (2018: HK\$540,659,000).
- (iii) As at 31 December 2019, 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\$467,915,000 (2018: HK\$408,159,000).

15. Debtors, Deposits, Other Receivables and Prepayments

	2019 HK\$'000	2018 HK\$'000
Trade receivables (net of allowance for doubtful debts)	12,131	3,553
Deposits and prepayments	66,406	46,386
Other receivables	238,032	467,623
	316,569	517,562
Analysed for reporting purpose as:		
Non-current	15,388	-
Current	301,181	517,562
	316,569	517,562

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$12,131,000 (2018: HK\$3,553,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

The carrying amounts of trade receivables (net of allowance for doubtful debts) of the Group's major businesses are as follows:

	2019 HK\$'000	2018 HK\$'000
Property leasing	9,215	1,240
Cosmetic business	2,916	2,313
	12,131	3,553

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:

	2019 HK\$'000	2018 HK\$'000
0 - 30 days	7,528	755
31 - 60 days	1,583	534
61 - 90 days	544	634
Over 90 days	2,476	1,630
	12,131	3,553

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$1,079,000 (2018: HK\$6,555,000).

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

	2019 HK\$'000	2018 HK\$'000
0 - 90 days	313	6,531
Over 90 days	766	24
	<u>1,079</u>	<u>6,555</u>

17. Capital Commitments

	2019 HK\$'000	2018 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership (<i>note</i>)	77,912	98,387
Purchases of equipment and leasehold improvement	54,033	-
	<u>131,945</u>	<u>98,387</u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to HK\$778,560,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$89,993,000 (equivalent to approximately HK\$697,973,000) (2018: US\$87,437,000 (equivalent to approximately HK\$677,957,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$10,007,000 (equivalent to approximately HK\$77,912,000, after exchange adjustment) (2018: US\$12,563,000 (equivalent to approximately HK\$98,387,000, after exchange adjustment)).

Other than the capital commitments as disclosed above, an interest-free funding undertaking in proportion of 51% (2018: 50%) has been provided by the Group to a 51% (2018: 50%) joint venture, Landrich (H.K.) Limited ("Landrich"), in the event that the funds raised from banks or financial institutions by Landrich are not sufficient for satisfying any working capital requirements at any time. As at 31 December 2019 and 2018, Landrich was in net asset position and the Directors considered that Landrich had sufficient working capital and therefore no funding to Landrich was required as of these dates.

18. Contingent Liabilities

	2019 HK\$'000	2018 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/indemnity given to a third party in relation to an investee company	613,830	625,178
Guarantee given to a bank in respect of a banking facility utilised by a joint venture	90,000	-
	<u>718,830</u>	<u>640,178</u>

No provision for financial guarantee contracts and/or deed of indemnity have been made as at 31 December 2019 and 2018 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\$1,670,271,000 (2018: HK\$1,350,090,000) and approximately HK\$20,182,543,000 (2018: HK\$21,367,307,000) 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\$20,186,103,000 (2018: HK\$21,438,609,000) were securities investments and treasury products and could be realised in the market at any time within twelve months from the end of the reporting period.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK1 cent per share (2018: HK10 cents per share) for the Year (the “Final Dividend”).

The Company had paid an interim dividend of HK1 cent per share on 27 August 2019 (2018: HK1 cent per share). Having considered the Company’s 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 HK1 cent per share (2018: HK10 cents per share).

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 26 May 2020 (the “2020 AGM”), dividend warrants for the Final Dividend will be posted on or about 11 June 2020 to shareholders whose names appear on the register of members of the Company on 2 June 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members’ eligibility to attend and vote at the 2020 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

(1) For ascertaining eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfers documents for registration 4:30 p.m. on 20 May 2020

Closure of register of members 21 May 2020 to 26 May 2020
(both days inclusive)

(2) For ascertaining entitlement to the recommended Final Dividend:

Latest time to lodge transfers documents for registration 4:30 p.m. on 29 May 2020

Closure of register of members 1 June 2020 to 2 June 2020
(both days inclusive)

Record date 2 June 2020

To be eligible to attend and vote at the 2020 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\$539.0 million (2018: HK\$843.6 million), a decrease of 36.1% over last year and comprised gross rental income of HK\$523.0 million and others of HK\$16.0 million (2018: gross rental income of HK\$544.5 million, property sales of HK\$274.0 million and others of HK\$25.1 million). The decline in revenue was mainly due to no property sales recorded for the Year.

Gross Profit

Gross profit for the Year amounted to HK\$511.5 million (2018: HK\$719.1 million), a decrease of 28.9% as compared with last year which also mainly derived from no property sales profit for the Year (2018: HK\$177.7 million).

Property Leasing

For property leasing, the overall rental revenue in both non-retail and retail sections decreased to HK\$446.0 million and HK\$77.0 million respectively during the Year. The total rental income in revenue for the Year recorded a decrease of 4.0% to HK\$523.0 million as compared with last year of HK\$544.5 million.

Together with the attributable rental revenue generated from associates, a joint venture and an investee company of HK\$129.7 million (2018: HK\$139.3 million), the total attributable rental revenue to the Group amounted to HK\$652.7 million (2018: HK\$683.8 million after non-controlling interests), which represents a decrease of 4.6% over last year.

Attributable net rental income for the Year showed HK\$597.5 million, a decrease of 4.6% over HK\$626.0 million in last year.

Property Development and Trading

During the Year, the Group did not dispose of any trading property. In 2018, the attributable property sales revenue and profit from the Group and its associates and investee company recorded HK\$270.8 million and HK\$183.3 million respectively, including (a) sales of 55 Conduit Road in Mid-Levels West (70% interest) contributed an attributable profit to the Group of HK\$125.4 million; (b) 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) (properties held by associates) generated profit of HK\$1.9 million, HK\$1.7 million and HK\$0.3 million respectively, as reflected in the share of results of investments accounted for using the equity method; and (c) sale of parking spaces at The Coronation in West Kowloon (15% interest) had contributed HK\$54.0 million to investment income upon recognition of dividend income.

Securities Investments

The Group has in the ordinary and usual course of business conducted its securities investment activities, as at 31 December 2019, mainly comprised of bonds and listed equity investments. During the Year, the gain (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from securities investments and treasury products was HK\$1,685.7 million (2018: HK\$280.8 million), comprised loss on listed equity investments at FVTOCI of HK\$113.2 million (2018: gain of HK\$991.6 million) and gain on investments and treasury products at FVTPL of HK\$1,798.9 million (2018: loss of HK\$710.8 million).

During the Year, the Group did not dispose of any listed investments held-for-trading (2018: no disposal). The realised gain from sales of bonds of HK\$184.2 million (2018: realised loss of HK\$20.1 million) was recognised, mainly comprising the realised gain on bonds in the industry of PRC-based real estate of HK\$82.0 million (2018: HK\$7.7 million) and the realised gain on bonds in the industry of overseas financial institutions of HK\$97.4 million (2018: realised loss of HK\$23.2 million), and no disposal of bonds in the industry of insurance (2018: realised loss of HK\$2.0 million). During the Year, the Group had acquired 19 bonds (2018: 11 bonds including those additions to the existing bonds) in the sum of HK\$3,436.7 million (2018: HK\$2,602.9 million), and disposed of/redeemed 19 bonds (2018: 40 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$2,309.4 million (2018: HK\$5,381.0 million). Bonds acquired were mainly in the industry of PRC-based real estate of 96.9% (2018: 47.6%) and overseas financial institutions of 3.1% (2018: 50.7%). In addition, realised losses on the FCN and currency option totaling HK\$0.7 million were recorded during the Year.

Furthermore, the Group recorded an unrealised gain of HK\$978.5 million (2018: unrealised loss of HK\$1,255.1 million) representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The unrealised gain (2018: unrealised loss) from changes in fair value of bonds represented 34 bonds (2018: 25 bonds), mainly comprising the unrealised gain from the industry of overseas financial institutions of HK\$399.8 million or increase in fair value of 12.4% over the Year; and the unrealised gain from the industry of PRC-based real estate of HK\$518.9 million or increase in fair value of 11.5% over the Year (2018: unrealised loss from the industry of overseas financial institutions of HK\$489.4 million or decrease in fair value of 12.0% over the year; and the unrealised loss from the industry of PRC-based real estate of HK\$714.5 million or decrease in fair value of 20.4% over the year). The Group believes that the increase in price of bonds in PRC-based real estate sector in the Year, among others, was owing to the Federal Reserve of the United States cut the Federal funds rate 3 times totaling 0.75% on 31 July 2019, 18 September 2019 and 31 October 2019 which stimulate the investment market during the Year.

During the Year, interest income from bonds amounted to HK\$714.0 million (2018: HK\$623.4 million), represented 8.46% (2018: 8.72%) (before effect on leverage) return on average market value of bondholding during the Year. The interest income from the FCN amounted to HK\$1.9 million (2018: nil), represented 13.25% (before effect on leverage) return on average market value of the FCN holding during the Year.

Summing up the realised and unrealised gain/loss and adding the net income from interest income, other net investment income and net finance costs of HK\$523.7 million (2018: HK\$1,556.0 million (also included net dividend income)), the gain recognised from securities investments and treasury products was HK\$1,685.7 million (2018: HK\$280.8 million).

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

Investments and Treasury Products at Fair Value Through Profit or Loss

The investments and treasury products at FVTPL recorded a profit before and after net finance costs of HK\$1,899.2 million and HK\$1,798.9 million (2018: loss before and after net finance costs of HK\$639.8 million and HK\$710.8 million) respectively for the Year.

Gain from the investments and treasury products at FVTPL reflected in the consolidated statement of comprehensive income for the Year comprised a realised gain on fair value changes of bonds of HK\$184.2 million and realised losses on fair value changes of the FCN and currency option totaling HK\$0.7 million (2018: realised loss of bonds of HK\$20.1 million), an unrealised gain on fair value changes of bonds of HK\$978.5 million (2018: unrealised loss of HK\$1,255.1 million), interest income of bonds and the FCN of HK\$715.9 million (2018: bonds of HK\$623.4 million) and other investment income of HK\$21.3 million (2018: HK\$12.0 million). Net relevant finance costs for the Year was HK\$100.3 million (2018: HK\$71.0 million) including interest expense of HK\$103.8 million (2018: HK\$79.8 million) and exchange gain of HK\$3.5 million (2018: HK\$8.8 million).

The table below summarises the performance of bonds and treasury products during the Year:

	Realised gain (loss)		Unrealised gain (loss)		Interest income		Total profit (loss)	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bond issuers by industry								
Overseas financial institutions	97.4	(23.2)	399.8	(489.4)	278.7	304.2	775.9	(208.4)
PRC-based real estate	82.0	7.7	518.9	(714.5)	413.9	294.1	1,014.8	(412.7)
Insurance	-	(2.0)	-	-	-	1.2	-	(0.8)
Others	4.8	(2.6)	59.8	(51.2)	21.4	23.9	86.0	(29.9)
	184.2	(20.1)	978.5	(1,255.1)	714.0	623.4	1,876.7	(651.8)
Treasury products								
FCN	(0.4)	-	-	-	1.9	-	1.5	-
Currency option	(0.3)	-	-	-	-	-	(0.3)	-
	(0.7)	-	-	-	1.9	-	1.2	-
	183.5	(20.1)	978.5	(1,255.1)	715.9	623.4	1,877.9	(651.8)
Other investment income							21.3	12.0
Profit (loss) before net finance costs							1,899.2	(639.8)
Net finance costs							(100.3)	(71.0)
Profit (loss) after net finance costs							1,798.9	(710.8)

Listed Equity Investments at Fair Value Through Other Comprehensive Income

(a) Implication on Profit or Loss for the Year

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Year. During the Year, no dividend income was recorded from holding of 860,000,000 Evergrande Shares and another listed equity investment at FVTOCI, hence the result from listed equity investments at FVTOCI recorded a net loss of HK\$113.2 million (2018: net gain of HK\$991.6 million) mainly represented its net relevant finance costs (2018: comprised net dividend income of HK\$1,106.5 million (after transaction costs), other investment income of HK\$0.7 million and net relevant finance costs of HK\$115.6 million). Subsequent to the end of the reporting period, the Group received dividend income from the Evergrande Shares of HK\$1,357.1 million which would be recorded in profit or loss for the year ending 31 December 2020.

(b) Implication on Other Comprehensive Expenses for the Year

During the Year, the unit share price of China Evergrande had dropped from HK\$23.45 as at 31 December 2018 to HK\$21.60 as at 31 December 2019, or 7.9% over the Year, hence an unrealised loss on fair value change of listed equity investment at FVTOCI of HK\$1,591.0 million (2018: HK\$3,052.2 million) was recognised in other comprehensive expenses. Together with unrealised gain on fair value change of another listed equity investment at FVTOCI of HK\$0.4 million (2018: nil), the total unrealised fair value change was loss of HK\$1,590.6 million (2018: HK\$3,052.2 million). 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 unstable business environment in the PRC, and China Evergrande, a PRC-based company with US\$ debt exposure against a weakened Renminbi ("RMB") currency, was adversely impacted.

The table below summarises the performance of listed equity investments at FVTOCI during the Year:

	Stock code	Number of shares	Closing price (per share) HK\$	Recorded in consolidated statement of financial position		Recorded in consolidated statement of comprehensive income	
				Financial assets measured at fair value through other comprehensive income HK\$ million	Financial assets measured at fair value through other comprehensive income reserve HK\$ million	Loss for the Year HK\$ million	Other comprehensive expenses for the Year HK\$ million
At 31 December 2018	3333	860,000,000	23.45	20,167.0	6,571.0		
Purchase	9988	12,800		2.3	-		
Unrealised fair value changes	3333			(1,591.0)	(1,591.0)	-	(1,591.0)
Unrealised fair value changes	9988			0.4	0.4	-	0.4
				(1,590.6)	(1,590.6)	-	(1,590.6)
Net finance costs						(113.2)	-
Loss/other comprehensive expenses for the Year						(113.2)	(1,590.6)
At 31 December 2019				18,578.7	4,980.4		
Representing							
	3333	860,000,000	21.60	18,576.0	4,980.0		
	9988	12,800	207.20	2.7	0.4		
				18,578.7	4,980.4		
Percentage to total assets							
At 31 December 2019				38.4%			
At 31 December 2018				41.4%			

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 and overprovision of costs in respect of a development project, net, decreased to HK\$59.9 million (2018: HK\$173.1 million (also included consultancy fee income, exchange gain, net and reversal of impairment in respect of other receivable and interest thereon)), representing a decrease of 65.4%. The decrease was mainly due to absence of consultancy fee income and reversal of impairment in respect of other receivable and interest thereon for the Year while a total of HK\$104.0 million was recorded in 2018.

During the Year, administrative expenses increased by 5.5% to HK\$269.5 million (2018: HK\$255.5 million). Finance costs increased by 7.3% to HK\$370.2 million (2018: HK\$345.0 million) during the Year, including exchange gain of HK\$4.3 million (2018: HK\$9.5 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments and exchange gain of HK\$9.5 million (2018: exchange loss of HK\$2.6 million) 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\$12.3 million comprised loss on dissolution of subsidiaries of HK\$10.6 million, write-down of stock of properties of HK\$0.7 million and impairment loss recognised in respect of advances to associates of HK\$1.0 million (2018: HK\$2.6 million mainly comprised write-down of stock of properties of HK\$2.5 million). The Group recognised a full impairment loss of goodwill of HK\$322.9 million (2018: nil) attributable to the CGU operated in the United Kingdom for the Year, which includes an investment property in the United Kingdom (details are disclosed in Note 8 to the consolidated financial statements of this announcement). Recognition of impairment loss is a non-cash item and will not affect the cash flow of the Group.

Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method for the Year recorded a profit of HK\$209.7 million (2018: HK\$232.3 million), comprised profit from the share of results of associates and a joint venture of HK\$5.0 million (2018: HK\$228.8 million) and HK\$204.7 million (2018: HK\$3.5 million) respectively. The decrease in profit from share of results of associates was mainly due to the decrease in fair value of investment properties held by associates while the increase in profit from share of result of a joint venture was mainly due to the increase in fair value of investment property held by the joint venture.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31 December 2019 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. An unrealised loss on fair value changes of investment properties of HK\$742.7 million (2018: gain of HK\$122.3 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

Profit

Profit for the Year attributable to owners of the Company was HK\$790.2 million as compared to HK\$1,015.3 million for last year. The decrease in profit for the Year was mainly due to (a) no dividend income (2018: HK\$1,106.8 million) was recognised from the Evergrande Shares during the Year; (b) the fair value changes of investment properties turning to loss of HK\$742.7 million as compared with gain of HK\$122.3 million; (c) recognition of an impairment loss of goodwill of HK\$322.9 million (2018: nil); and (d) no attributable property sales profit (2018: HK\$183.3 million) was recognised during the Year despite of the result from the segment of investments and treasury products at FVTPL turning to profit of HK\$1,798.9 million as compared with loss of HK\$710.8 million recorded in 2018. Earnings per share for the Year was HK\$0.41 (2018: HK\$0.53).

Core Profit

If the net loss on the major non-cash items of HK\$907.2 million (2018: net gain of HK\$297.0 million) is excluded, the Group will have a core profit for the Year attributable to owners of the Company of HK\$1,697.4 million (2018: of HK\$718.3 million) and a core profit per share of HK\$0.89 (2018: HK\$0.38).

The major non-cash items represented the attributable net unrealised fair value loss on investment properties together with their respective deferred tax from the Group and its associates and joint venture of HK\$584.3 million (2018: net gain of HK\$297.0 million) and impairment loss of goodwill of HK\$322.9 million (2018: nil).

Dividends

Final dividend of HK10 cents (year ended 31 December 2017: HK10 cents) per share in total amount of HK\$190.8 million for the year ended 31 December 2018 was paid in cash on 12 June 2019.

Interim dividend of HK1 cent (half year ended 30 June 2018: HK1 cent) per share in total amount of HK\$19.1 million for the half year ended 30 June 2019 was paid in cash on 27 August 2019.

Total dividends of HK\$209.9 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\$1,697.4 million or HK\$0.89 per share (2018: HK\$718.3 million or HK\$0.38 per share); (b) cash final dividend for the Year of HK1 cent (2018: HK10 cents) per share proposed; and (c) cash interim dividend for 2019 of HK1 cent (2018: HK1 cent) per share paid, the ratio of such cash payment to the core profit is 2.2% (2018: 28.9%).

Total Comprehensive Expenses

Total comprehensive expenses for the Year attributable to owners of the Company was HK\$283.6 million or HK\$0.15 per share (2018: HK\$2,117.0 million or HK\$1.11 per share), which comprised (a) profit for the Year attributable to owners of the Company of HK\$790.2 million (2018: HK\$1,015.3 million); and (b) other comprehensive expenses for the Year attributable to owners of the Company of HK\$1,073.8 million (2018: HK\$3,132.3 million) which mainly included unrealised loss on fair value changes of listed equity investments at FVTOCI of HK\$1,590.6 million (2018: HK\$3,052.2 million), details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income (b) Implication on Other Comprehensive Expenses for the Year” of paragraph headed “Securities Investments” above.

Net Asset Value

As at 31 December 2019, the Group’s net asset value attributable to owners of the Company amounted to HK\$33,568.9 million (2018: HK\$34,062.4 million), a decrease of HK\$493.5 million or 1.4% when compared with 31 December 2018. With the total number of ordinary shares in issue of 1,907,619,079 as at 31 December 2019 and 2018, the net asset value per share attributable to owners of the Company was HK\$17.60 (2018: HK\$17.86). 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\$283.6 million; and (b) final and interim dividends recognised as distribution during the Year totaling HK\$209.9 million.

During the Year, loss on fair value changes of the listed equity investments categorised as financial assets measured at FVTOCI of HK\$1,590.6 million (2018: HK\$3,015.5 million, as well as the transaction cost of disposal of certain Evergrande Shares of HK\$1.0 million) was recorded in other comprehensive expenses. The cumulative amount of gain on fair value changes of listed equity investments included in financial assets measured at FVTOCI reserve was HK\$4,980.4 million as at 31 December 2019 (2018: HK\$6,571.0 million).

Other than the disposals of debt securities and the acquisition of the remaining 49% interest in Landrich (as disclosed in the section headed “Other Information and Events After the Reporting Period” below) 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 31 December 2019 of HK\$1,138.6 million (2018: HK\$2,749.8 million), of which current assets were HK\$8,653.9 million (2018: HK\$7,104.6 million) and current liabilities were HK\$9,792.5 million (2018: HK\$9,854.4 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 investments, the total carrying amount as at 31 December 2019 was HK\$27,554.2 million (2018: HK\$26,852.5 million). Included in non-current assets were part of the bonds in the sum of HK\$1,607.4 million (2018: HK\$1,271.6 million) presented as financial assets measured at FVTPL and listed equity investments in the sum of HK\$18,578.7 million (2018: HK\$20,167.0 million) presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds in the sum of HK\$7,368.1 million (2018: HK\$5,413.9 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\$7,128.4 million (2018: HK\$7,330.5 million) were presented as borrowings in current liabilities.

If the margin loans of HK\$7,128.4 million (2018: HK\$7,330.5 million) were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$3,431.4 million (2018: HK\$4,240.4 million) and HK\$3,697.0 million (2018: HK\$3,090.1 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\$3,431.4 million (2018: HK\$4,240.4 million) were reclassified as non-current liabilities, the net current liabilities position of the Group would become net current assets position as at 31 December 2019 of HK\$2,292.8 million (2018: HK\$1,490.6 million).

The ratio of margin loans against securities investments was loan-to-value ratio, which was 25.9% as at 31 December 2019 (2018: 27.3%). 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.

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 securities investments and treasury products of the Group as at 31 December 2019 were presented as current assets, current assets would be increased by HK\$20,186.1 million (2018: HK\$21,438.6 million), and net current liabilities position of HK\$1,138.6 million (2018: HK\$2,749.8 million) would become net current assets position of HK\$19,047.5 million (2018: HK\$18,688.8 million).

The Group believes that the net current liabilities position as at 31 December 2019 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 securities investments and treasury products with attractive yield and good prospect in order to bring stable and satisfactory realised return in long run. During the Year, the Group diversified the bonds portfolio comprised of the bonds issued by overseas financial institutions and PRC-based real estate companies.

As at 31 December 2019, the portfolio of securities investments and treasury products of HK\$27,554.2 million (2018: HK\$26,852.5 million) comprised (a) bonds (financial assets measured at FVTPL (non-current and current assets in aggregate)) of HK\$8,975.5 million (2018: HK\$6,685.5 million); and (b) listed equity investments (financial assets measured at FVTOCI) of HK\$18,578.7 million (2018: HK\$20,167.0 million), representing 57.0% (2018: 55.1%) of total assets.

The respective securities investments under different categories are elaborated below:

Listed Equity Investments at Fair Value Through Other Comprehensive Income

In prior years, the Group had acquired 860,000,000 shares of China Evergrande and recorded as financial assets measured at FVTOCI. During the Year, no acquisition or disposal of shares of China Evergrande. The Group held 860,000,000 shares of China Evergrande, representing approximately 6.5% of the total issued share capital of China Evergrande as at 31 December 2019.

As at 31 December 2018, the cumulative unrealised gain on fair value change of the Evergrande Shares was HK\$6,571.0 million and the carrying amount of the Evergrande Shares was HK\$20,167.0 million. After deducting the unrealised fair value loss of HK\$1,591.0 million for the Year, the carrying amount of the Evergrande Shares as at 31 December 2019 was HK\$18,576.0 million, representing 38.4% (2018: 41.4%) of total assets. The cumulative unrealised gain on fair value change of the Evergrande Shares was reduced from HK\$6,571.0 million as at 31 December 2018 to HK\$4,980.0 million as at 31 December 2019, which was recorded in the financial assets measured at FVTOCI reserve.

China Evergrande group is principally engaged in property development, property investment, property management, new energy vehicle business, 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 31 December 2018 and 2017, the revenue and profit attributable to shareholders were RMB466.2 billion (2017: RMB311.0 billion) and RMB37.4 billion (2017: RMB24.4 billion) respectively; while the total assets and total equity were RMB1,880.0 billion (2017: RMB1,761.8 billion) and RMB308.6 billion (2017: RMB242.2 billion) respectively, the net debt was RMB468.9 billion (2017: RMB444.9 billion). In accordance with the unaudited consolidated financial statements of China Evergrande for the six months ended 30 June 2019, the revenue and profit attributable to shareholders were RMB227.0 billion and RMB14.9 billion respectively; while the total assets and total equity were RMB2,098.5 billion and RMB345.3 billion respectively, the net debt was RMB525.2 billion. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

During the Year, the Group acquired another listed equity investment at HK\$2.3 million (including transaction costs), and an unrealised gain on fair value change of HK\$0.4 million was recorded in other comprehensive expenses. As at 31 December 2019, the carrying amount was to HK\$2.7 million.

As at 31 December 2019, the listed equity investments recorded as financial assets measured at FVTOCI was HK\$18,578.7 million and cumulative unrealised gain on fair value changes of HK\$4,980.4 million 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.

Investments and Treasury Products at Fair Value Through Profit or Loss

As at 31 December 2018, the carrying amount of the bonds presented as financial assets measured at FVTPL was HK\$6,685.5 million. During the Year, the bonds portfolio was increased by a net acquisition of HK\$1,127.3 million. After adding the fair value gain of HK\$1,162.7 million, the bonds portfolio of the Group became HK\$8,975.5 million as at 31 December 2019, representing 18.6% (2018: 13.7%) of total assets, which formed part of the Group's cash management activities.

As at 31 December 2019, the bonds portfolio comprised of bonds issued by overseas financial institutions of 40.5% (2018: 53.7%), PRC-based real estate companies of 55.9% (2018: 41.6%) and other industries of 3.6% (2018: 4.7%). They are denominated in different currencies with 97.0% (2018: 96.7%) in US\$ and 3.0% (2018: 3.3%) in GBP. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 13.750% (2018: 4.750% to 9.375%) per annum of which notional amount of US\$937.0 million (2018: US\$911.4 million) are callable, all bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% (2018: 5.875% to 7.250%) per annum of notional amount of GBP24.5 million (2018: GBP22.5 million) are callable. As at 31 December 2019, the bonds portfolio comprised of 34 bonds (2018: 25 bonds); in terms of credit rating, investment grade, non-investment grade and unrated were 5 bonds, 26 bonds and 3 bonds (2018: 5 bonds, 16 bonds and 4 bonds) respectively. In terms of maturity, 17 bonds (2018: 14 bonds) were contingent convertible bonds issued by overseas financial institutions which were perpetual with no fixed tenor. 17 bonds (2018: 11 bonds) issued by issuers other than overseas financial institutions will be matured between 2020 to 2046 and no perpetual bond (2018: 8 bonds would be matured between 2021 to 2046 and the remaining 3 bonds were perpetual).

Details and movement of the bonds portfolio at the end of the reporting period are set out below:

	Overseas financial institutions HK\$ million	PRC-based real estate HK\$ million	Others HK\$ million	Total HK\$ million
Movement of bonds portfolio				
Carrying amounts				
At 31 December 2018	3,588.3	2,780.9	316.3	6,685.5
Purchases	106.1	3,330.6	-	3,436.7
Disposals	(559.2)	(1,697.3)	(52.9)	(2,309.4)
Fair value changes	497.2	600.9	64.6	1,162.7
At 31 December 2019	3,632.4	5,015.1	328.0	8,975.5
Percentage to total assets				
At 31 December 2019	7.5%	10.4%	0.7%	18.6%
At 31 December 2018	7.4%	5.7%	0.6%	13.7%
	At 31 December 2019		At 31 December 2018	
	HK\$ million	Percentage to total	HK\$ million	Percentage to total
Bond issuers by industry				
Carrying amounts				
Overseas financial institutions	3,632.4	40.5%	3,588.3	53.7%
PRC-based real estate	5,015.1	55.9%	2,780.9	41.6%
Others	328.0	3.6%	316.3	4.7%
	8,975.5	100.0%	6,685.5	100.0%

	At 31 December 2019			At 31 December 2018		
	Coupon rate (per annum)	HK\$ million	Percentage to total	Coupon rate (per annum)	HK\$ million	Percentage to total
Bonds by currency						
Carrying amounts						
US\$	4.750% to 13.750%	8,710.3	97.0%	4.750% to 9.375%	6,466.6	96.7%
GBP	5.875% to 7.250%	265.2	3.0%	5.875% to 7.250%	218.9	3.3%
		8,975.5	100.0%		6,685.5	100.0%

Investment in China Evergrande

As at 31 December 2019, the Group's securities investment in an entity with a value which exceeds 5% of the Group's total assets is investments in China Evergrande. The Group's securities investments in China Evergrande including listed shares and bonds amounted to HK\$20,012.0 million or 41.4% of total assets.

The Group held 860,000,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$13,596.0 million. As at 31 December 2019, the market value of the Evergrande Shares was HK\$18,576.0 million (2018: HK\$20,167.0 million), there was no dividend income for the Year (2018: net dividend income of HK\$1,106.5 million (after transaction costs)). As at 31 December 2019, the Group also held 5 bonds which were issued by China Evergrande and its indirect wholly-owned subsidiary, Scenery Journey Limited (collectively "Evergrande Group").

Details and the performance of the 5 bonds issued by the Evergrande Group as at and for the year ended 31 December 2019 are summarised as follows:

Bonds	Name of issuer	Acquisition cost	Market price	Market value	Unrealised gain (loss)	Realised gain	Interest income
		HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Evergrande 10.5%	China Evergrande Group	392.5	94.6665	368.5	(24.0)	-	28.9
Evergrande 10%	China Evergrande Group	392.5	95.0290	369.9	(22.5)	-	27.5
Evergrande 8.75%	China Evergrande Group	310.1	86.1250	268.2	3.5	10.0	31.7
Scenery Journey 13%	Scenery Journey Limited	438.5	102.1017	413.4	(25.1)	0.1	38.2
Scenery Journey 13.75%	Scenery Journey Limited	15.7	102.3585	16.0	0.2	-	0.5
Evergrande Group's bonds at 31 December 2019		1,549.3		1,436.0	(67.9)	10.1	126.8

Evergrande 10.5% bond carries fixed coupon rate of 10.5% per annum. It is denominated in US\$ and matures on 11 April 2024. The bond is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and rated "B2" by Moody's Investors Service, Inc. ("Moody's").

Evergrande 10% bond carries fixed coupon rate of 10% per annum. It is denominated in US\$ and matures on 11 April 2023. The bond is listed on the SGX-ST and rated "B2" by Moody's.

Evergrande 8.75% bond carries fixed coupon rate of 8.75% per annum. It is denominated in US\$ and matures on 28 June 2025. The bond is listed on the Frankfurt Stock Exchange, the SGX-ST and the Stuttgart Stock Exchange and rated "B3e" by Moody's.

Scenery Journey 13% bond carries fixed coupon rate of 13% per annum. It is denominated in US\$ and matures on 6 November 2022. The bond is listed on the SGX-ST and rated "B2e" by Moody's.

Scenery Journey 13.75% bond carries fixed coupon rate of 13.75% per annum. It is denominated in US\$ and matures on 6 November 2023. The bond is listed on the SGX-ST and are rated "B2e" by Moody's.

China Evergrande group is principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the PRC. Its shares are listed on the Stock Exchange (stock code: 3333). China Evergrande is one of the leading real estate developers in the PRC with strong property sale and reasonable profit margin. The Group believes that dividend payment from the Evergrande Shares will provide steady income to the Group. Bonds issued by the Evergrande Group carry attractive coupon interest rates which the Group believes that it will enhance investment return from treasury management perspective.

Unlisted Securities Investments

The Group invested in the Cayman Islands Partnership (which was included in financial assets measured at FVTOCI) and the carrying amount was HK\$408.1 million as at 31 December 2018. During the Year, the Group has contributed US\$2.6 million (equivalent to approximately HK\$20.0 million) and received distribution of US\$2.6 million (equivalent to approximately HK\$20.0 million), after adding the fair value gain for the Year of HK\$59.8 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$467.9 million as at 31 December 2019, representing 1.0% (2018: 0.8%) 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 31 December 2019 and 2018 were 1,907,619,079.

Debt and Gearing

As at 31 December 2019, the Group's total debt amounted to HK\$13,574.3 million (2018: HK\$13,747.7 million), comprised bank and other borrowings of HK\$13,442.3 million (2018: HK\$13,747.7 million) and lease liabilities of HK\$132.0 million (2018: nil). Cash and deposits at banks amounted to HK\$565.3 million (2018: HK\$714.6 million), pledged deposits amounted to HK\$274.2 million (2018: HK\$237.4 million) and net debt (including lease liabilities) amounted to HK\$12,734.8 million (2018: HK\$12,795.7 million). Upon the initial application of HKFRS 16 on 1 January 2019 (details are set out in Note 2 to the consolidated financial statements of this announcement), recognition of lease liabilities gave rise to increase in total debt and net debt of the Group.

Total debt to equity ratio (including lease liabilities) was 40.4% (2018: 40.3%) and net debt to equity ratio (including lease liabilities) was 37.9% (2018: 37.5%), which are expressed as a percentage of total debt, and net debt, respectively, over the total equity of HK\$33,590.4 million (2018: HK\$34,143.6 million).

If the securities investments and treasury products of HK\$27,554.2 million (2018: HK\$26,852.5 million) are included, there would be a net cash position of HK\$14,819.4 million (2018: HK\$14,056.8 million).

As at 31 December 2019, the Group's bank and other borrowings of HK\$13,442.3 million, 68.7%, 16.5% and 14.8% 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\$ (50.3%), GBP (30.3%) and US\$ (19.4%) 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 31 December 2019, notional amount of approximately US\$158.1 million was outstanding. The Group's bank borrowings were carried at interest rates calculated with reference to cost of funds, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate; other borrowings were carried at interest rates calculated with reference to cost of funds or HIBOR. As at 31 December 2019, 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 31 December 2019, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$12,248.6 million (2018: HK\$12,770.6 million) and bank deposits of HK\$255.8 million (2018: HK\$208.6 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 investments with carrying amounts of HK\$27,554.2 million (2018: HK\$25,445.5 million) and cash deposits of HK\$18.4 million (2018: HK\$28.8 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\$7,128.4 million (2018: HK\$7,330.5 million) was utilised as at 31 December 2019 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.

In addition, the Group had subordinated and assigned its advance to a joint venture of HK\$158.8 million to a bank to secure a banking facility granted to the joint venture as at 31 December 2019.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income (2018: revenue, investment income and other income). Interest income for the Year was HK\$724.9 million, representing an increase of 7.7% over last year of HK\$673.3 million, mainly due to increase in bond interest income during the Year.

Finance costs included interest expenses on bank and other borrowings and lease liabilities (2018: 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 (excluding interest expenses on lease liabilities) for the Year amounted to HK\$375.8 million, representing an increase of 9.8% over last year of HK\$342.4 million and the increase was mainly due to the increase in interest rates during the Year. The average interest rate over the year under review was 2.67% (2018: 2.28%), which was expressed as a percentage of total interest paid (excluding interest on lease liabilities) over the average total interest-bearing borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 31 December 2019, the Group employed a total of 481 staff (2018: 476 staff) including about 235 staff (2018: 237 staff) employed under the estate management company in Hong Kong and 1 staff (2018: nil) in the United Kingdom.

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 which was valid and effective until 13 January 2019 ("Expiry"). The Share Award Scheme was 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 were set out in "Share Award Scheme" in the section headed "Directors' Report" of the Company's 2018 annual report. No share was granted under the Share Award Scheme during the period from 1 January 2019 to the Expiry and during the life of the Share Award Scheme.

United Kingdom and Mainland China

As at 31 December 2019, the Group's investment properties in the United Kingdom with carrying amount of GBP788.2 million (equivalent to approximately HK\$8,051.1 million) (2018: GBP855.4 million (equivalent to approximately HK\$8,501.5 million)) incurred a net loss of HK\$813.0 million (2018: HK\$21.4 million) to the Group for the Year, the loss mainly included in gross profit, fair value changes on investment properties, finance costs, taxation and impairment loss of goodwill. GBP exchange gain of foreign operations included in other comprehensive expenses for the Year amounted to HK\$114.3 million (2018: exchange loss of HK\$259.5 million). As at 31 December 2019, the Group's net investment in the United Kingdom amounted to HK\$4,129.6 million (2018: HK\$4,826.2 million) representing 12.3% (2018: 14.1%) of the Group's total equity.

Loss incurred by the Group's investment in Mainland China (mainly included in investment income, loss on dissolution of subsidiaries, share of results of investments accounted for using the equity method and taxation) for the Year amounted to HK\$24.5 million (2018: profit of HK\$69.0 million mainly included in other income, share of results of investments accounted for using the equity method and taxation). RMB exchange loss of foreign operations included in other comprehensive expenses (including share of investments accounted for using the equity method) for the Year amounted to HK\$11.6 million (2018: HK\$25.4 million). The Group's net investment in Mainland China as at 31 December 2019 amounted to HK\$536.6 million (2018: HK\$574.1 million) representing 1.6% (2018: 1.7%) 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 31 December 2019 and 2018 were carried out by B.I. Appraisals, independent qualified professional valuer. For the investment properties in the United Kingdom, the property valuations as at 31 December 2019 and 2018 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 2019 final results.

The Group's investment properties were valued at HK\$14,759.5 million (2018: HK\$15,280.8 million), a decrease of 4.8% over 2018 after adjusted for the additions and exchange adjustments of investment properties during the Year. The decrease in fair value of HK\$742.7 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 held by associates and a joint venture of HK\$163.5 million in total for the Year.

The decrease in fair value of HK\$742.7 million was mainly derived from the decrease in fair value of River Court and 61-67 Oxford Street and 11-14 Soho Street located in 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 31 December 2019, the occupancy rate of the shops of Causeway Place was approximately 96.65%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the occupancy rate was 100% as at 31 December 2019.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the occupancy rate was approximately 78.16% as at 31 December 2019.

During the Year, the average occupancy rate of the Group's office property, Harcourt House was approximately 88.96%.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the occupancy rate was approximately 98.80% as at 31 December 2019.

Nos. 14-18 Ma Kok Street (100% interest), an industrial building in Tsuen Wan was vacant as at 31 December 2019. It is planned to be redeveloped into a 26-storey (including G/F and 2 levels of basement) industrial building with a total gross floor area of approximately 228,000 square feet. The redevelopment is in planning and design stage which is expected to be completed by end of 2024. The Group's equity interest in the company holding Nos. 14-18 Ma Kok Street has been increased from 50% to 51% in December 2019 and further increased from 51% to 100% in February 2020.

Hong Kong Property Development

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 31 December 2019, 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 31 December 2019, 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. Up to 31 December 2019, 862 units of first phase and 772 units of second phase were presold. Superstructure works of both phases are in progress, the whole project will be completed in the first half of 2021.

Mainland China Property Investment

Hilton Beijing (50% interest), a five-star international hotel having 506 rooms. During the Year, 15th to 25th Floors of the main tower were under renovation, its average occupancy rate was approximately 52.35%.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing. Its average occupancy rate was approximately 81.07% during the Year.

Overseas Property Investment

Overall, approximately 98.63% of the Group's investment property portfolio in the United Kingdom has 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. The anchor tenant will surrender the lease in the first quarter of 2020, and thereafter asset enhancement works will be carried out in due course when relevant study is completed and government approval is granted.

"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, approximately 94.43% had been let out during the Year on average.

"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 93.26% 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 31 December 2019, the Group's securities investment portfolio mainly 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 investment 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.

The gain recognised from securities investments and treasury products for the Year was approximately HK\$1,685.7 million. Details of the performance of securities investments are disclosed in the "Financial Operation Review" of this announcement.

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

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Leasing of Windsor House – Connected Transaction and Continuing Connected Transactions

On 28 February 2019, the Group (as tenant) 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 (the "Subsequent Tenancy"), with a company at that time 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"), for the purpose of new headquarter of the Group. The Transactions constituted a connected transaction and continuing connected transactions for the Company as more described in the Company's announcement dated 28 February 2019. A tenancy agreement in relation to the Subsequent Tenancy has been entered into on 18 October 2019.

Adoption of Dividend Policy

The Board has approved and adopted a dividend policy for the Company on 5 March 2019, details as disclosed in the "Corporate Governance Report" of the Company's 2018 annual report.

Change of Address of Registered Office in Bermuda

As announced on 15 July 2019, the address of the Company's registered office in Bermuda has been changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda with effect from 15 July 2019.

Change of Address of Principal Registrar and Transfer Office in Bermuda

As announced on 19 July 2019, the address of MUFG Fund Services (Bermuda) Limited, the Company's principal registrar and transfer office in Bermuda, has been changed to 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda with effect from 19 July 2019.

Subscription of Notes – Discloseable Transaction

On 15 November 2019, the Group entered into a placement and subscription agreement in relation to the subscription of the US\$100,000,000 9.75% senior notes due 2020 to be issued by Zhongliang Holdings Group Company Limited (the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2772)), an independent third party, at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the notes (the "Subscription"). The Subscription constituted a discloseable transaction for the Company as more described in the Company's announcement dated 26 November 2019.

Acquisition of Remaining Interest in Nos.14-18 Ma Kok Street, Tsuen Wan – Discloseable Transaction

As announced on 10 January 2020, the Group has on 10 January 2020 entered into a sale and purchase agreement with an independent third party in relation to, inter alia, the acquisition of the remaining 49% interest in Landrich (H.K.) Limited (“Landrich”) (the owner of Tsuen Wan Town Lot No.128 situated at Nos.14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon) (the “Acquisition”). The Group initially acquired 50% interest in Landrich in March 2018 and further acquired 1% interest in Landrich in December 2019 (the “Previous Acquisitions”). Subsequent to the completion of the Acquisition on 28 February 2020, Landrich has become a wholly-owned subsidiary of the Company. The Acquisition (aggregated with the Previous Acquisitions) constituted a discloseable transaction of the Company under the Listing Rules.

Disposal of Debt Securities – Major and Connected Transaction

The Group has on 29 January 2020 entered into a disposal agreement with Ms. Chan, Hoi-wan (an Executive Director and a trustee of the substantial shareholders of the Company (who are two of her minor children)) in relation to, inter alia, the disposal of certain debt securities (the “Disposal”). The Disposal constituted a major and connected transaction of the Company under the Listing Rules. Details of the Disposal were set out in the Company’s announcement dated 29 January 2020 and circular dated 28 February 2020. The Disposal was approved by the independent shareholders of the Company at the special general meeting of the Company held on 23 March 2020.

Disposal of Perpetual Bond – Discloseable Transaction

On 19 March 2020, the Group disposed of the 7.5% fixed rate resetting perpetual subordinated contingent convertible securities issued by Standard Chartered PLC (the shares of which are listed on the London Stock Exchange, the Stock Exchange (Stock Code: 2888), the Bombay Stock Exchange in India and the National Stock Exchange in India) (the “Perpetual Bond”) in the principal amount of US\$2,500,000 (equivalent to approximately HK\$19,490,000) through over-the-counter market for a consideration of approximately US\$2,265,000 (equivalent to approximately HK\$17,655,000) (inclusive of accrued interest) (the “Bond Disposal”). The Bond Disposal (when aggregated with the conditional disposal of the Perpetual Bond under the Disposal mentioned in the above paragraph) constituted a discloseable transaction for the Company under the Listing Rules as more described in the Company’s announcement dated 20 March 2020.

Outbreak of Novel Coronavirus

Since December 2019, the outbreak of novel coronavirus (“COVID-19”) has impact on the global business environment. Pending the development and spread of the epidemic subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will pay close attention to the development of COVID-19 and evaluate its impact on the financial position and operating results of the Group.

PROSPECTS

The global economic outlook had turned optimistic in face of the signing of the Phase One Deal on the United States-China trade war, which affects not just the two countries, but most global economies. While the road ahead to the end point of the trade war is likely to be more challenging, it was at least been a positive sign for the market sentiments. Nonetheless, the markets are now faced with a new challenge – COVID-19, which has spread across many parts of the world speedily since the Chinese New Year. The sudden interest rate cut by 1.5% in aggregate and the resumption of quantitative easing by the Federal Reserve of the United States in early and mid of March 2020 posed much concerns on the impact of the virus to economic activities. Furthermore, the sharp decrease in oil price has brought more uncertainty to the world markets. In the short term, it is inevitable that global markets will be hit hard and with significant turbulence during the course.

Hong Kong economy has been hammered badly from protests and demonstrations that have taken place since mid-2019, with the first budget deficit in 15 years forthcoming. Coupled with the outbreak of COVID-19 and various measures including travel restrictions and new border control measures implemented in many countries to prevent the spread of the virus, local retail consumption and tourist arrivals are experiencing significant downward pressure. It is therefore expected that a longer time would be required for our investment properties to be fully healed.

After over three years of uncertainty, the United Kingdom has officially left the European Union finally. While there will likely be hard negotiations between the United Kingdom and European Union on various trade and other arrangements over the next 10-month transition period, and hence market turbulence in the meantime is not unexpected, the official departure of the United Kingdom from the European Union has undoubtedly cleared the most significant uncertainty in investments in the United Kingdom. Since the Group has a long-term view for the United Kingdom, we are optimistic that her economy will be on the upside in the long run. The Group will continue to leverage on our expertise and experience in enhancing the values of our properties in the United Kingdom through asset enhancement works to take benefit of the expected economic upswing, albeit a short-term rental income plunge will occur as during the asset enhancement works.

In the short term, the stock markets are bound to be affected by the latest developments on COVID-19 situations, oil price movements, and monetary policies adopted by governments and hence likely to be volatile.

Looking ahead, the Group will continue to be watchful and cautious with our investment decisions. While there are positive signs as regards the long-dragged United States – China Trade War and Brexit, there are new challenges, especially locally in Hong Kong. We believe that our continuous watchful and cautious approach in looking for quality investments will benefit shareholders' value as a whole.

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

– Non-executive Director 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 24 May 2019 (“AGM”) as he had business engagement.

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 the 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 also 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, 23 March 2020

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 23 March 2020.