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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 2020

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 2020 (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 2019 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$’000	2019 HK\$’000 (restated)
Revenue			
Dividend income	3	1,973,156	-
Interest income	3	596,092	715,857
Others	3	472,216	594,095
Total revenue	3	3,041,464	1,309,952
Cost of goods and services provided		(79,938)	(43,497)
Gross profit		2,961,526	1,266,455
Other income	5	281,268	20,763
Investment (expenses) income, net	6	(427,829)	1,169,820
Administrative expenses		(320,600)	(269,516)
Gain (loss) on disposals of equipment, net		6,299	(173)
Fair value changes on investment properties		(1,549,240)	(742,659)
Finance costs	7	(215,559)	(370,185)
Other gains and losses		(4,860)	(12,341)
Impairment loss of goodwill		-	(322,938)
Share of results of investments accounted for using the equity method		(38,459)	209,684
Profit before tax		692,546	948,910
Income tax expense	8	(70,282)	(157,258)
Profit for the year	9	622,264	791,652

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000 (restated)
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		(5,763,244)	(1,187,045)
Share of other comprehensive expenses of investments accounted for using the equity method		(93)	(38)
		<u>(5,763,337)</u>	<u>(1,187,083)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		152,262	106,977
Share of other comprehensive income (expenses) of investments accounted for using the equity method		10,225	(4,344)
Reclassification adjustment related to dissolution of foreign operations		-	10,678
		<u>162,487</u>	<u>113,311</u>
Other comprehensive expenses for the year (net of tax)		<u>(5,600,850)</u>	<u>(1,073,772)</u>
Total comprehensive expenses for the year		<u>(4,978,586)</u>	<u>(282,120)</u>
Profit for the year attributable to:			
Owners of the Company		622,233	790,167
Non-controlling interests		31	1,485
		<u>622,264</u>	<u>791,652</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(4,978,617)	(283,605)
Non-controlling interests		31	1,485
		<u>(4,978,586)</u>	<u>(282,120)</u>
Earnings per share (HK\$)			
Basic and diluted	11	<u>0.326</u>	<u>0.414</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		14,373,283	14,759,507
Property, plant and equipment		169,262	45,524
Right-of-use assets		126,215	136,899
Intangible assets		-	-
Investments accounted for using the equity method		2,199,510	2,433,328
Advances to associates		48,463	48,111
Advance to a joint venture		-	158,818
Financial assets measured at fair value through profit or loss	12	1,629,070	1,670,271
Financial assets measured at fair value through other comprehensive income	13	14,407,220	20,182,543
Advances to investee companies		100,737	105,902
Deferred tax assets		11,272	1,592
Pledged deposits		81,974	100,002
Prepayments	14	50,380	15,388
		<u>33,197,386</u>	<u>39,657,885</u>
Current assets			
Stock of properties		232,938	224,380
Financial assets measured at fair value through profit or loss	12	1,921,466	7,368,082
Inventories		4,964	2,328
Debtors, deposits, other receivables and prepayments	14	250,152	301,181
Securities trading receivables and deposits		27,055	16,961
Tax recoverable		2,344	1,432
Pledged deposits		178,532	174,221
Time deposits, bank balances and cash		1,654,542	565,319
		<u>4,271,993</u>	<u>8,653,904</u>
Current liabilities			
Creditors and accruals	15	158,469	151,010
Securities trading and margin payable		38,883	11,246
Deposits and receipts in advance		167,623	218,235
Lease liabilities		67,300	47,929
Tax liabilities		36,110	117,700
Borrowings		5,312,436	9,240,299
Derivative financial instrument		111	6,060
		<u>5,780,932</u>	<u>9,792,479</u>
Net current liabilities		<u>(1,508,939)</u>	<u>(1,138,575)</u>
Total assets less current liabilities		<u>31,688,447</u>	<u>38,519,310</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2020

	2020 HK\$'000	2019 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	65,461	5,829,284
Contribution reserve	206,627	-
Statutory reserve	668	668
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(317,410)	(479,897)
Retained profits		
- proposed final dividend	19,076	19,076
- others	25,955,852	25,371,285
	<u>28,758,783</u>	<u>33,568,925</u>
Non-controlling interests	<u>21,467</u>	<u>21,436</u>
Total equity	<u>28,780,250</u>	<u>33,590,361</u>
Non-current liabilities		
Borrowings	1,951,396	4,201,960
Amounts due to associates	260,344	212,419
Amounts due to investee companies	581,898	368,563
Amounts due to non-controlling shareholders	275	333
Lease liabilities	57,890	84,125
Deferred tax liabilities	56,394	61,549
	<u>2,908,197</u>	<u>4,928,949</u>
	<u>31,688,447</u>	<u>38,519,310</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

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 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$1,508,939,000 (2019: HK\$1,138,575,000). 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 2020, 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.

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 2020. 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 2020. 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.

1. Basis of Preparation *(continued)*

Change in presentation and classification of certain revenue items

In the current year, the Group has changed its accounting policy for the presentation and classification in its consolidated statement of comprehensive income of building management fee income and property management services income (previously presented in and classified as “Other Income”) and interest income from bonds and other forms of debt securities and dividend income from listed and unlisted equity investments (previously presented in and classified as “Investment Income, Net”). The Group has determined that these items should now be presented in and classified as “Revenue” of the Group under the new accounting policy (“Reclassification”) for the following reasons:

- Interest income from bonds and other forms of debt securities and dividend income from listed and unlisted equity investments are earned from investments by the Group in various debt and equity securities. Such securities investments are now amongst the principal activities of the Group and comprise three out of the six reportable segments of the Group. The Group’s strategy with regard to securities investments 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. Following the reduction of the scale of operations of the Group for sales of development properties and holding of investment properties for generation of rental income in recent years, the revenue contribution of the interest income and dividend income from these securities investments have become more and more significant to the Group. In the recent years, the Group has committed significant financial and managerial resources in pursuance of its securities investment strategies. Hence, the interests and dividends derived by the Group from its investments in these securities are now amongst the main revenue-generating activities of the Group and are not incidental to the main revenue-generating activities of the Group.
- Building management fee income and property management services income are earned from provision of building and property management services. The provision of building and property management services is a significant activity of the Group, entailing the employment of the highest number of employees amongst all revenue-generating activities of the Group. Hence, the provision of building and property management services are now amongst the main revenue-generating activities of the Group and are not incidental to the main revenue-generating activities of the Group.

Further, in the opinion of the Directors, the Reclassification results in the consolidated financial statements providing reliable and more relevant information, taking into account the practice adopted by other listed companies in Hong Kong for the presentation and classification of similar items as the subject matter of the Reclassification.

1. Basis of Preparation (continued)

Change in presentation and classification of certain revenue items (continued)

The amounts of the adjustments to the line items in the consolidated statement of comprehensive income affected by the Reclassification are as follows:

For the year ended 31 December 2019:

	As previously reported HK\$'000	Reclassification HK\$'000	As restated HK\$'000
Revenue	538,986	770,966	1,309,952
Cost of goods and services provided	(27,535)	(15,962) ⁽¹⁾	(43,497)
Gross profit	511,451	755,004	1,266,455
Other income	59,910	(39,147) ⁽¹⁾	20,763
Investment income, net	1,885,677	(715,857) ⁽²⁾	1,169,820

For the year ended 31 December 2020:

	Amounts without Reclassification HK\$'000	Effects of Reclassification HK\$'000	As reported HK\$'000
Revenue	418,984	2,622,480	3,041,464
Cost of goods and services provided	(63,449)	(16,489) ⁽¹⁾	(79,938)
Gross profit	355,535	2,605,991	2,961,526
Other income	318,011	(36,743) ⁽¹⁾	281,268
Investment income (expenses), net	2,141,419	(2,569,248) ⁽²⁾	(427,829)

Notes:

(1) These relate to building management fee income of approximately HK\$27,822,000 (2019: HK\$28,225,000) and property management services income of approximately HK\$25,410,000 (2019: HK\$26,884,000), amounted to approximately HK\$53,232,000 (2019: HK\$55,109,000) in aggregate now presented in and classified as revenue, net of building management fee expenses of approximately HK\$16,489,000 (2019: HK\$15,962,000) now presented in and classified as cost of goods and services provided.

(2) These relate to interest income from bonds and structured products of approximately HK\$596,092,000 (2019: HK\$715,857,000), dividend income from listed equity investments of approximately HK\$1,969,757,000 (2019: nil) and from unlisted equity investment of approximately HK\$3,399,000 (2019: nil) now presented in and classified as revenue.

The Reclassification has no effect on the profit for the year and hence on the earnings per share figures presented in the consolidated statement of comprehensive income.

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 2019 except as described below.

In the current year, the Group has applied the Amendments to References to the Conceptual Framework for Financial Reporting in HKFRS Standards and the following amendments to HKFRSs ("Other Amendments") issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of these consolidated financial statements:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions ¹
HKAS 1 and HKAS 8 (Amendments)	Definition of Material

¹ *Effective for annual periods beginning on or after 1 June 2020 and early application is permitted*

The application of the Amendments to References to the Conceptual Framework for Financial Reporting in HKFRS Standards and the Other Amendments had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 ²
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ²
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2 ¹
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 and the related amendments ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use ²
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract ²

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

² *Effective for annual periods beginning on or after 1 January 2022*

³ *Effective for annual periods beginning on or after 1 January 2023*

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 performance and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the performance and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts of commission from brokerage, settlement charges from brokerage, cosmetics goods sold less returns, building and property management services income, amounts received and receivable from property rental income, interest income from bonds and structured products, dividend income from listed and unlisted equity investments and gain on sales of investments held-for-trading, are analysed as follows:

	2020 HK\$'000	2019 HK\$'000 (restated)
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Brokerage and cosmetics income	20,220	16,023
<i>Recognised over time</i>		
Building and property management services income	<u>53,232</u>	<u>55,109</u>
	<u>73,452</u>	<u>71,132</u>
Revenue from other sources:		
Property rental income	373,461	522,963
Interest income from	596,092	715,857
- bonds (<i>note (i)</i>)	585,686	713,991
- structured products (<i>note (i)</i>)	10,406	1,866
Dividend income from	1,973,156	-
- listed equity investments (<i>note (ii)</i>)	1,969,757	-
- unlisted equity investment (<i>note (iii)</i>)	3,399	-
Gain on sales of investments held-for-trading	<u>25,303</u>	<u>-</u>
	<u>2,968,012</u>	<u>1,238,820</u>
Total revenue	<u>3,041,464</u>	<u>1,309,952</u>

Notes:

- (i) *The interest income from bonds and structured products were derived from financial assets measured at fair value through profit or loss ("FVTPL").*
- (ii) *The dividend income from listed equity investments with amount of approximately HK\$2,077,000 and approximately HK\$1,967,680,000 were derived from financial assets measured at FVTPL and financial assets measured at fair value through other comprehensive income ("FVTOCI") respectively.*
- (iii) *The dividend income from unlisted equity investment was derived from financial assets measured at FVTOCI.*

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 FVTOCI; (v) investments and treasury products at FVTPL; and (vi) unlisted investments, investment holding and brokerage, and the remaining businesses grouped under all other segments. 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
All other segments	–	Cosmetics distribution and trading, provision of building and property management services and others

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 (if any).

Unallocated corporate assets mainly comprised leasehold land and building for own use, right-of-use assets, deferred tax assets and tax recoverable.

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.

During the Year, the chief operating decision-makers changed the measurement of segment revenue to include building management fee income and property management services income, interest income from bonds and structured products and dividend income from listed and unlisted equity investments as these revenue items are now included in the Group's consolidated revenue (see Note 1 for details of this change in accounting policy). Accordingly, the prior year's segment revenue and relevant items as the subject matter of the Reclassification have been restated.

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 no (2019: one) major customer who individually accounted for over 10% 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 for the year ended 31 December 2019.

4. Operating Segments (continued)

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	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	-	-	-	2,772	6,844,054	-	-	6,846,826
- Other countries	-	-	-	-	1,100,767	-	-	1,100,767
	-	-	-	2,772	7,944,821	-	-	7,947,593
Revenue								
Revenue from external customers								
- Hong Kong	-	36,923	138,852	1,967,680	437,279	12,299	64,552	2,657,585
- United Kingdom	-	34,482	162,479	-	-	-	-	196,961
- Mainland China	-	-	725	-	-	-	-	725
- Other countries	-	-	-	-	186,193	-	-	186,193
	-	71,405	302,056	1,967,680	623,472	12,299	64,552	3,041,464
Revenue from external customers	-	71,405	302,056	1,967,680	623,472	12,299	64,552	3,041,464
Attributable property sales from associate/investee company								
- Hong Kong	11,935	-	-	-	-	-	-	11,935
Attributable rental revenue from associates/investee company								
- Hong Kong	-	19,995	44,862	-	-	-	-	64,857
- Mainland China	-	21,308	8,197	-	-	-	-	29,505
	11,935	112,708	355,115	1,967,680	623,472	12,299	64,552	3,147,761
Result								
Segment result								
- Hong Kong	-	33,664	130,195	1,967,653	(23,746)	11,036	39,259	2,158,061
- United Kingdom	-	26,890	131,076	-	-	143	-	158,109
- Mainland China	-	-	484	-	-	2,463	-	2,947
- Other countries	-	-	-	-	208,631	-	-	208,631
	-	60,554	261,755	1,967,653	184,885	13,642	39,259	2,527,748
Share of results of investments accounted for using the equity method								
- Attributable property sales, net								
- Hong Kong	252	-	-	-	-	-	-	252
- Attributable gross income								
- Hong Kong	-	18,695	44,579	-	-	-	2,247	65,521
- Mainland China	-	21,308	8,197	-	-	-	-	29,505
- Attributable operating cost								
- Hong Kong	-	(821)	(8,337)	-	-	-	-	(9,158)
- Mainland China	-	(13,390)	(3,032)	-	-	-	-	(16,422)
	252	86,346	303,162	1,967,653	184,885	13,642	41,506	2,597,446
Other income	-	-	249,836	-	-	-	-	249,836
Finance costs	-	-	-	(31,304)	(52,522)	-	-	(83,826)
Other gains and losses	(4,831)	-	-	-	-	-	-	(4,831)
Share of results of investments accounted for using the equity method								
- Income tax and others	(92)	(32,247)	(13,017)	-	-	-	(506)	(45,862)
	(4,671)	54,099	539,981	1,936,349	132,363	13,642	41,000	2,712,763
Unallocated items								
Unallocated corporate expenses, net								(276,949)
Unallocated finance costs								(131,733)
Income tax expense								(76,727)
Non-controlling interests								(31)
Operating profit for the year attributable to owners of the Company								
2,227,323								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								(1,611,535)
- Deferred tax credit								6,445
Profit for the year attributable to owners of the Company								
622,233								
Core profit for the year attributable to owners of the Company								
2,227,323								

4. Operating Segments (continued)
Consolidated Statement of Financial Position
At 31 December 2020

	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	948,739	1,355,453	7,043,891	12,814,008	1,951,314	362,249	186,279	24,661,933
- United Kingdom	-	1,171,231	6,734,639	-	-	-	-	7,905,870
- Mainland China	266,459	-	27,200	-	-	640	-	294,299
- Other countries	-	-	-	-	1,604,648	586,390	-	2,191,038
Investments accounted for using the equity method								
- Hong Kong	44,071	415,351	1,579,177	-	-	1,803	8,473	2,048,875
- Mainland China	-	119,671	30,964	-	-	-	-	150,635
Advances to associates								
- Hong Kong	641	-	83	-	-	2	1,221	1,947
- Mainland China	-	36,977	9,539	-	-	-	-	46,516
Reportable segment assets	<u>1,259,910</u>	<u>3,098,683</u>	<u>15,425,493</u>	<u>12,814,008</u>	<u>3,555,962</u>	<u>951,084</u>	<u>195,973</u>	<u>37,301,113</u>
Unallocated corporate assets								<u>168,266</u>
Consolidated total assets								<u><u>37,469,379</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	62,295	15,541	80,855	768,423	192,424	26,354	5,581	1,151,473
- United Kingdom	-	13,302	144,722	-	-	-	-	158,024
- Mainland China	28	-	210	-	-	3	-	241
- Other countries	-	-	-	-	129,360	6	-	129,366
Reportable segment liabilities	<u>62,323</u>	<u>28,843</u>	<u>225,787</u>	<u>768,423</u>	<u>321,784</u>	<u>26,363</u>	<u>5,581</u>	<u>1,439,104</u>
Unallocated corporate liabilities								<u>7,250,025</u>
Consolidated total liabilities								<u><u>8,689,129</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	-	-	1,063,132*	-	-	62	5	

* included the acquisition of investment properties of Landrich (H.K.) Limited ("Landrich") through acquisition of a subsidiary (Note 16)

Other Material Items
For the year ended 31 December 2020

	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	603,417	-	-	603,417
Finance costs	(83,826)	(131,733)	-	(215,559)
Net income	519,591	(131,733)	-	387,858
Depreciation of:				
- Property, plant and equipment	-	(25,624)	-	(25,624)
- Right-of-use assets	-	(62,564)	-	(62,564)
Fair value changes on investment properties	-	-	(1,549,240)	(1,549,240)
Write-down of stock of properties	(4,831)	-	-	(4,831)
Share of results of investments accounted for using the equity method	23,836	-	(62,295)	(38,459)
Income tax expense	-	(76,727)	6,445	(70,282)
Non-controlling interests	-	(31)	-	(31)

4. Operating Segments (continued)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (restated)

	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	-	550,829	5,256	65,876	805,049
- United Kingdom	-	34,539	304,661	-	-	-	-	339,200
- Mainland China	-	-	675	-	-	-	-	675
- Other countries	-	-	-	-	165,028	-	-	165,028
	-	76,986	445,977	-	715,857	5,256	65,876	1,309,952
Revenue from external customers								
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	-	715,857	5,256	65,876	1,439,688
Result								
Segment result								
- Hong Kong	-	38,031	133,555	(1)	1,259,177	(5,106)	42,036	1,467,692
- 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)	42,036	2,444,256
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)	44,312	2,538,063
Finance costs	-	-	-	(113,197)	(100,307)	-	-	(213,504)
Other gains and losses	(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)	43,891	2,275,229
Unallocated items								
Unallocated corporate expenses, net								(256,907)
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)

5. Other Income

	2020 HK\$'000	2019 HK\$'000 (restated)
Included in other income are:		
Rental services income	3,757	5,071
Leasing administration services and property administration services income	5,952	5,665
Advisory and consultancy services income	37	34
Surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom	249,836	2,025
Government subsidy - Employment Support Scheme	13,741	-
Overprovision of costs in respect of a development project, net	<u>1,877</u>	<u>6,452</u>

6. Investment (Expenses) Income, Net

	2020 HK\$'000	2019 HK\$'000 (restated)
Financial assets measured at fair value through profit or loss:		
Unrealised gain arising from change in fair value of bonds	14,912	978,452
Realised (loss) gain arising from change in fair value of bonds		
- Change in fair value	(404,709)	180,905
- Exchange component of change	(32,022)	3,311
Net (loss) gain arising from change in fair value of bonds	(421,819)	1,162,668
Unrealised loss arising from change in fair value of structured products	(1,897)	-
Realised gain (loss) arising from change in fair value of structured products	33	(693)
Net loss arising from change in fair value of structured products	(1,864)	(693)
Unrealised loss arising from change in fair value of investments held-for-trading	(12,678)	-
Unrealised loss arising from change in fair value of club and corporate debentures	(1,646)	(13,090)
Realised loss arising from change in fair value of club debentures	(223)	(1,071)
Loss arising from change in fair value of club and corporate debentures	(1,869)	(14,161)
Financial liabilities measured at fair value through profit or loss:		
Unrealised loss arising from change in fair value of cross currency swap	(111)	(6,060)
Realised gain (loss) arising from change in fair value of cross currency swap	6,060	(1,921)
Net gain (loss) arising from change in fair value of cross currency swaps	5,949	(7,981)
Other investment (expenses) income, net	(2,253)	21,339
Interest income from other financial assets	<u>6,705</u>	<u>8,648</u>
	<u>(427,829)</u>	<u>1,169,820</u>

7. Finance Costs

	2020 HK\$'000	2019 HK\$'000
Interest on:		
Bank borrowings	117,504	157,969
Other borrowings	70,690	217,801
Lease liabilities	2,975	1,086
Other interest	1	-
Total interest	<u>191,170</u>	<u>376,856</u>
Exchange loss (gain) on translation of foreign currency bank and other borrowings and loan, net	20,232	(13,789)
Other finance costs	<u>6,995</u>	<u>7,118</u>
	<u>218,397</u>	<u>370,185</u>
Less: Interest capitalised to investment properties under construction	<u>(2,838)</u>	<u>-</u>
	<u>215,559</u>	<u>370,185</u>

During the Year, the Group has capitalised borrowing costs at a rate of 1.87% (2019: nil) per annum amounted to approximately HK\$2,838,000 (2019: nil) on qualifying assets.

8. Income Tax Expense

	2020 HK\$'000	2019 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	44,271	106,654
Other than Hong Kong	42,039	42,475
	<u>86,310</u>	<u>149,129</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(544)	(297)
Other than Hong Kong	141	201
	<u>(403)</u>	<u>(96)</u>
Deferred tax:		
Current year (credit) charge	(15,625)	8,225
	<u>70,282</u>	<u>157,258</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% (2019: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the Year, the Group is subject to tax rate in the United Kingdom that has been changed from 20% to 19% as the Group is subject to corporation tax instead of non-resident landlord income tax effective from 6 April 2020.

9. Profit for the Year

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(139,310)	(133,041)
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$28,000 (2019: HK\$331,000)	(8,716)	(8,077)
	(148,026)	(141,118)
Auditors' remuneration:		
Auditors of the Company		
- Current year	(2,065)	(2,015)
Other auditors		
- Current year	(519)	(546)
- Underprovision in prior years	(10)	(6)
Depreciation of:		
- Property, plant and equipment	(25,624)	(7,384)
- Right-of-use assets	(62,564)	(19,680)
	(88,188)	(27,064)
Exchange loss, net	(902)	(709)
Rental expenses from short-term leases	(15,654)	(37,602)
Cost of cosmetics products recognised	(5,535)	(4,457)
Share of tax of associates	(8,647)	(8,135)
Share of tax of a joint venture	313	-
Share of tax of investments accounted for using the equity method (included in share of results of investments accounted for using the equity method)	(8,334)	(8,135)
Gross proceeds on sales of investments held-for-trading	365,211	-
Carrying amount of investments held-for-trading disposed of	(339,198)	-
Transaction costs on sales of investments held-for-trading	(710)	-
Gain on sales of investments held-for-trading included in revenue	25,303	-
Gross rental income from investment properties	373,461	522,963
Less: Direct operating expenses from investment properties that generated rental income during the year	(11,914)	(13,341)
Direct operating expenses from investment properties that did not generate rental income during the year	(39,238)	(3,673)
	322,309	505,949
(Allowance for credit losses) reversal of allowance for credit losses recognised in respect of trade receivables, net	(2,823)	43
Allowance for credit losses recognised in respect of advances to associates, net	(27)	(982)
Write-off of trade receivables	-	(16)
Write-off of other receivable	-	(18)

10. Dividends

	2020 HK\$'000	2019 HK\$'000
(a) Final dividend for 2019 paid on 11 June 2020 of HK1 cent (2018: HK10 cents) per share	19,076	190,762
(b) Interim dividend for 2020 paid on 7 September 2020 of HK1 cent (2019: HK1 cent) per share	19,076	19,076
Total dividends paid	38,152	209,838

Final dividend for the Year of HK1 cent (2019: HK1 cent) per share has been proposed by the Board and is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

11. 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:

	2020 HK\$'000	2019 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>622,233</u>	<u>790,167</u>
	Number of shares	
	2020	2019
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 2020 and 2019 were the same as the basic earnings per share as there were no diluting events during both years.

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

	2020 HK\$'000	2019 HK\$'000
Bonds (<i>note</i>)	3,287,649	8,975,533
Structured products	52,426	-
Investments held-for-trading	152,687	-
Club and corporate debentures	<u>57,774</u>	<u>62,820</u>
	<u>3,550,536</u>	<u>9,038,353</u>
Analysed for reporting purpose as:		
Non-current	1,629,070	1,670,271
Current	<u>1,921,466</u>	<u>7,368,082</u>
	<u>3,550,536</u>	<u>9,038,353</u>

Note: During the Year, three indirect wholly-owned subsidiaries of the Company, as the sellers, and Ms. Chan, Hoi-wan, an executive Director and a trustee of substantial shareholders of the Company ("Trustee of Substantial Shareholders"), as the purchaser ("Purchaser"), entered into a disposal agreement in relation to the sale and purchase of certain debt securities ("Disposal").

Pursuant to the disposal agreement, the Disposal may be completed in tranches and the completion of the last tranche of the Disposal shall take place not later than 31 December 2020. During the Year, all the conditions had been fulfilled and the disposal of the last tranche of the debt securities had been completed in accordance with the terms and conditions of the disposal agreement.

Details of the Disposal were set out in the announcements of the Company dated 29 January 2020, 23 March 2020 and 18 December 2020 and the circular of the Company dated 28 February 2020.

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

Notional amount	Maturity
US\$120,000,000	2021
US\$60,000,000	2022
US\$63,200,000	2023
US\$117,000,000	2024
US\$1,000,000	2025
US\$33,000,000	Perpetual
GBP23,500,000	Perpetual
EUR2,000,000	Perpetual

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

	2020 HK\$'000	2019 HK\$'000
Listed investments:		
- Equity securities listed in Hong Kong (<i>note (i)</i>)	12,814,000	18,578,652
Unlisted equity securities:		
- Incorporated in Hong Kong (<i>note (ii)</i>)	1,007,337	1,045,621
- Incorporated elsewhere (<i>note (iii)</i>)	585,883	558,270
	<u>14,407,220</u>	<u>20,182,543</u>

Notes:

- (i) As at 31 December 2020, the Group held certain shares of China Evergrande Group (stock code: 3333) ("China Evergrande") ("Evergrande Shares"). The unrealised loss on fair value change of the Evergrande Shares of HK\$5,762,000,000 (2019: HK\$1,591,000,000), 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 2020 was HK\$12,814,000,000 (2019: HK\$18,576,000,000).
- (ii) As at 31 December 2020, the carrying amount mainly comprised investment in a property development project in Hong Kong (10% interest) of HK\$859,286,000 (2019: HK\$882,763,000).
- (iii) As at 31 December 2020, 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\$488,583,000 (2019: HK\$467,915,000).

14. Debtors, Deposits, Other Receivables and Prepayments

	2020 HK\$'000	2019 HK\$'000 (restated)
Trade receivables (net of allowance for credit losses)	21,817	22,442
Deposits and prepayments	94,497	66,406
Interest receivables from bonds and structured products	61,455	113,180
Other receivables	122,763	114,541
	<u>300,532</u>	<u>316,569</u>
Analysed for reporting purpose as:		
Non-current	50,380	15,388
Current	250,152	301,181
	<u>300,532</u>	<u>316,569</u>

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$21,817,000 (2019: HK\$22,442,000 (restated)), which comprised rental and building management fee receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from property management services and cosmetics business.

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

	2020 HK\$'000	2019 HK\$'000 (restated)
Rental receivables from property leasing	12,628	9,215
Building and property management services fee receivables	7,940	10,311
Receivables from cosmetics business	1,249	2,916
	<u>21,817</u>	<u>22,442</u>

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

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

	2020 HK\$'000	2019 HK\$'000 (restated)
0 - 30 days	13,941	14,155
31 - 60 days	4,116	4,301
61 - 90 days	498	755
Over 90 days	3,262	3,231
	<u>21,817</u>	<u>22,442</u>

As refer to Note 1 for the change in presentation and classification of certain revenue items, the amounts of the adjustments to the items comprising debtors, deposits, other receivables and prepayments affected by the Reclassification are as follows:

As at 31 December 2019:

	As previously reported HK\$'000	Reclassification HK\$'000	As restated HK\$'000
Current assets			
Trade receivables, net	12,131	10,311	22,442
Interest receivables from bonds and structured products	-	113,180	113,180
Other receivables	238,032	(123,491)	114,541

As at 31 December 2020:

	Amounts without Reclassification HK\$'000	Effects of Reclassification HK\$'000	As reported HK\$'000
Current assets			
Trade receivables, net	13,877	7,940	21,817
Interest receivables from bonds and structured products	-	61,455	61,455
Other receivables	192,158	(69,395)	122,763

15. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$4,142,000 (2019: HK\$1,079,000).

The following is the aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
0 - 90 days	1,737	313
Over 90 days	2,405	766
	<u>4,142</u>	<u>1,079</u>

16. Acquisition of Assets Through Acquisition of a Subsidiary

On 10 January 2020, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with another shareholder of Landrich, as the seller, in relation to acquisition of the remaining 49% of the entire issued share capital of Landrich (a joint venture at the time of entering into the sale and purchase agreement, holding a property located at Nos. 14-18 Ma Kok Street in Tsuen Wan, New Territories, Hong Kong) and the sale loan ("Acquisition"). The Group owned 51% interest in Landrich prior to the Acquisition and Landrich has become a wholly-owned subsidiary of the Company following the completion of the Acquisition. The Group acquired a property and its related assets and liabilities by way of acquisition of the remaining 49% of the entire issued share capital of Landrich. The Acquisition was completed on 28 February 2020 at a total cash consideration of approximately HK\$355,839,000. Details of the Acquisition were set out in the announcement of the Company dated 10 January 2020.

Under HKFRS 3, the Acquisition was accounted for as an acquisition of assets and liabilities as Landrich being acquired by the Group does not constitute an acquisition of business. The Group identified and recognised the individual identifiable assets acquired and liabilities assumed. The cost of the Acquisition was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values as at the date of acquisition. Such a transaction does not give rise to goodwill.

	2020 HK\$'000
The net assets of Landrich as at the date of acquisition were as follows:	
Investment properties	900,562
Deposits, other receivables and prepayments	2,018
Time deposit and bank balance	3,677
Creditors and accruals	(4,571)
Tax liabilities	(1,227)
Shareholders' loans	(317,467)
Borrowing	(180,000)
Net assets acquired	<u>402,992</u>
Assignment of a shareholder's loan	<u>158,649</u>
	<u>561,641</u>
Satisfied by:	
Cash consideration	355,839
Expenses incurred for acquisition	276
Fair value of the existing shareholding	<u>205,526</u>
	<u>561,641</u>
Net cash outflow arising from acquisition:	
Cash consideration paid	355,839
Expenses incurred for acquisition	276
Time deposit and bank balance acquired	<u>(3,677)</u>
	<u>352,438</u>

During the year ended 31 December 2019, there was no acquisition of assets through acquisition of a subsidiary.

17. Capital Commitments

	2020 HK\$'000	2019 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership (<i>note</i>)	69,348	77,912
Redevelopment expenditure of properties	20,917	-
Purchases of equipment and leasehold improvement	6,864	54,033
Refurbishment of properties	1,272	-
	<u>98,401</u>	<u>131,945</u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to HK\$775,260,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$91,055,000 (equivalent to approximately HK\$706,224,000) (2019: US\$89,993,000 (equivalent to approximately HK\$697,973,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$8,945,000 (equivalent to approximately HK\$69,348,000, after exchange adjustment) (2019: US\$10,007,000 (equivalent to approximately HK\$77,912,000, after exchange adjustment)).

As at 31 December 2019, other than the capital commitments as disclosed above, an interest-free funding undertaking in proportion of 51% had been provided by the Group to Landrich, in the event that the funds raised from banks or financial institutions by Landrich were not sufficient for satisfying any working capital requirements at any time. As at 31 December 2019, 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 that date. During the Year, the Group acquired the remaining 49% interest in Landrich and Landrich has become a wholly-owned subsidiary of the Company.

18. Contingent Liabilities

	2020 HK\$'000	2019 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Guarantee given to a bank in respect of a banking facility utilised by an investee company/indemnity given to a third party in relation to an investee company	613,830	613,830
Guarantee given to a bank in respect of a banking facility utilised by a joint venture	-	90,000
	<u>628,830</u>	<u>718,830</u>

No provision for financial guarantee contracts and/or deed of indemnity have been made as at 31 December 2020 and 2019 as the Directors considered the default risk is low.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK1 cent per share (2019: HK1 cent per share) for the Year (the “Final Dividend”).

The Company had paid an interim dividend of HK1 cent per share on 7 September 2020 (2019: 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 (2019: HK1 cent per share).

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 26 May 2021 (the “2021 AGM”), dividend warrants for the Final Dividend will be posted on or about 11 June 2021 to shareholders whose names appear on the register of members of the Company on 2 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members’ eligibility to attend and vote at the 2021 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 2021 AGM: | |
| Latest time to lodge transfers documents for registration | 4:30 p.m. on 20 May 2021 |
| Closure of register of members | 21 May 2021 to 26 May 2021
(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 31 May 2021 |
| Closure of register of members | 1 June 2021 to 2 June 2021
(both days inclusive) |
| Record date | 2 June 2021 |

To be eligible to attend and vote at the 2021 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

The Company has in the past disclosed in its annual and interim reports the interest income from bonds and structured products and dividend income from listed and unlisted equity investments as “Investment Income, Net” and building management fee income and property management services income as “Other Income” in the consolidated statement of comprehensive income. Having reviewed the factors mentioned below, the Directors consider that it is more appropriate to classify these items as components of the revenue of the Group, the Reclassification. The Reclassification will not have any effect on the consolidated statement of financial position or the consolidated net profit of the Group.

Securities Investments

Securities investment is one of the principal activities of the Group. 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. Following the reduction of the scale of operations of the Group for sales of development properties and holding of investment properties for generation of rental income in recent years, the revenue contribution of (i) interest income from bonds and structured products; and (ii) dividend income from listed and unlisted equity investments have become more and more significant to the Group. In the recent years, the Group has committed significant financial and managerial resources in pursuance of its securities investment strategies. Hence, the Directors consider that it is more appropriate to classify the (i) interest income from bonds and structured products; and (ii) dividend income from listed and unlisted equity investments as components of the revenue of the Group, rather than as items recorded under “Investment Income, Net”.

Building and property management services income

The provision of building and property management services is a significant activity of the Group, entailing the employment of the highest number of employees amongst all revenue-generating activities of the Group. In terms of manpower employed, the Directors consider that it is more appropriate to classify the building and property management services income as a component of the revenue of the Group, rather than as an item recorded under “Other Income”.

Further, in the opinion of the Directors, the Reclassification results in the consolidated financial statements providing reliable and more relevant information, taking into account the practice adopted by other listed companies in Hong Kong for the presentation and classification of similar items as the subject matter of the Reclassification.

Revenue

Revenue for the Year amounted to HK\$3,041.5 million (2019: HK\$1,310.0 million (restated)), an increase of 132.2% over last year and comprised gross rental income of HK\$373.5 million (2019: HK\$523.0 million), gain on sales of investments held-for-trading on a net basis of HK\$25.3 million (2019: nil), dividend income from listed and unlisted equity investments of HK\$1,973.2 million (2019: nil), interest income from bonds and structured products of HK\$596.1 million (2019: HK\$715.9 million), building and property management services income of HK\$53.2 million (2019: HK\$55.1 million) and others of HK\$20.2 million (2019: HK\$16.0 million). The increase in revenue was mainly due to the dividend income from the Evergrande Shares of HK\$1,967.7 million, which will be elaborated below.

Gross Profit

Gross profit for the Year amounted to HK\$2,961.5 million (2019: HK\$1,266.5 million (restated)), an increase of 133.8% as compared with last year which also mainly due to the dividend income from the Evergrande Shares despite of the decrease in net rental income and interest income from bonds and structured products for the Year.

Property Leasing

For property leasing, the rental revenue in non-retail and retail section decreased by 32.3% to HK\$302.1 million and 7.3% to HK\$71.4 million respectively during the Year. The total rental income in revenue for the Year recorded a decrease of 28.6% to HK\$373.5 million as compared with last year of HK\$523.0 million. The decrease in rental income was mainly due to an anchor tenant of an investment property in the United Kingdom surrendered the lease during the Year.

Together with the attributable rental revenue generated from associates and an investee company of HK\$94.3 million (2019: from associates, a joint venture and an investee company of HK\$129.7 million), the total attributable rental revenue to the Group amounted to HK\$467.8 million (2019: HK\$652.7 million), which represents a decrease of 28.3% over last year.

Attributable net rental income for the Year showed HK\$389.5 million, a decrease of 34.8% over HK\$597.5 million in last year.

Property Development and Trading

During the Year, the Group did not dispose of any trading property (2019: no disposal).

In respect of properties held by associates, sales of two units and two store rooms of Hing Wai Centre in Aberdeen (50% interest) generated profit of HK\$0.3 million as reflected in the share of results of investments accounted for using the equity method. In respect of properties held by an investee company, sales of a unit and two parking spaces of The Coronation in West Kowloon (15% interest) were recorded by the investee company during the Year and will contribute profit to the Group upon recognition of dividend income.

The Group's associate and investee company executed properties sale agreements to third parties recorded an attributable contracted sales of HK\$11.9 million for the Year.

Securities Investments

The Group has in the ordinary and usual course of business conducted its securities investment activities, as at 31 December 2020, mainly comprised bonds, listed equity investments and treasury products. 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\$2,068.7 million (2019: HK\$1,685.7 million), comprised gain on listed equity investments at FVTOCI of HK\$1,936.3 million (2019: loss of HK\$113.2 million) and gain on investments and treasury products at FVTPL of HK\$132.4 million (2019: HK\$1,798.9 million).

During the Year, the Group disposed of listed investments held-for-trading and recognised a realised gain of HK\$25.3 million (the gains/losses of which was included in revenue) with gross proceeds of HK\$365.2 million (2019: no disposal). The realised loss from sales of bonds of HK\$436.7 million (2019: realised gain of HK\$184.2 million) was recognised in profit or loss during the Year, comprising the realised loss on bonds in the industry of PRC-based real estate of HK\$137.7 million (2019: realised gain of HK\$82.0 million), the realised loss on bonds in the industry of overseas financial institutions of HK\$255.3 million (2019: realised gain of HK\$97.4 million) and the realised loss on bonds in other industries of HK\$43.7 million (2019: realised gain of HK\$4.8 million). During the Year, the Group had acquired 22 bonds (2019: 19 bonds) in the sum of HK\$2,039.6 million (2019: HK\$3,436.7 million), and disposed of/redeemed 33 bonds (2019: 19 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$7,305.7 million (2019: HK\$2,309.4 million). Bonds acquired were mainly in the industry of PRC-based real estate of 98.7% (2019: 96.9%) and overseas financial institutions and insurance of 1.3% (2019: 3.1%). In addition, the Group recorded a minimal realised gain (2019: realised loss of HK\$0.7 million) on the structured products during the Year.

During the Year, the Group disposed of certain bonds under the disposal agreement entered into with Ms. Chan, Hoi-wan, an executive Director and the Trustee of Substantial Shareholders, on 29 January 2020. Pursuant to the terms under the disposal agreement, consideration shall be determined based on the higher of (i) 100% of principal amount and (ii) prevailing market bid price for the bonds to be disposed of. The excess amount paid by Ms. Chan, Hoi-wan, at the consideration of 100% of principal amount over the prevailing market bid price of the bonds disposed of was directly recognised in the reserve as it is deemed as the contribution from the Company's equity participant. During the Year, the Group recognised gain of HK\$206.6 million in the contribution reserve.

Furthermore, the Group recorded an unrealised gain of HK\$0.3 million (2019: HK\$978.5 million) mainly representing the changes in fair value of bonds and listed equity investments, which had no effect on the cash flow of the Group. The unrealised gain of HK\$14.9 million (2019: HK\$978.5 million) from changes in fair value of bonds represented 27 bonds (2019: 34 bonds), mainly comprising the unrealised gain from the industry of overseas financial institutions of HK\$11.2 million (2019: HK\$399.8 million) or increase in fair value of 3.8% (2019: 12.4%) over the Year; and the unrealised gain from the industry of PRC-based real estate of HK\$3.7 million (2019: HK\$518.9 million) or increase in fair value of 0.1% (2019: 11.5%) over the Year. The Group believes that the fluctuation in price of bonds during the Year, among others, was owing to concerns about the economic impact of COVID-19 pandemic and the ongoing tensions in the United States-China relationship exacerbated, the global economy has been greatly

affected. During the Year, the Group also recorded unrealised loss on listed investments held-for-trading of HK\$12.7 million (2019: nil) and unrealised loss on structured products of HK\$1.9 million (2019: nil).

During the Year, interest income from bonds (which was included in revenue) amounted to HK\$585.7 million (2019: HK\$714.0 million), represented 10.30% (2019: 8.46%) (before effect on leverage) return on average market value of bondholding during the Year. The interest income from structured products (which was included in revenue) amounted to HK\$10.4 million (2019: HK\$1.9 million).

Summing up the realised and unrealised gain/loss and adding the net income from net dividend income from listed equity investments, interest income, other net investment expenses and net finance costs of HK\$2,479.8 million (2019: interest income, other net investment income and net finance costs of HK\$523.7 million), the gain recognised from securities investments and treasury products was HK\$2,068.7 million (2019: HK\$1,685.7 million), of which net dividend income from the Evergrande Shares was HK\$1,967.6 million (2019: nil) for the Year.

The dividend income from listed equity investments of HK\$1,969.8 million (2019: nil) and interest income from bonds and structured products of HK\$596.1 million (2019: HK\$715.9 million) were recorded in revenue.

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\$184.9 million (2019: HK\$1,899.2 million) and HK\$132.4 million (2019: HK\$1,798.9 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) a realised gain on listed investments held-for-trading of HK\$25.3 million (2019: nil), a realised loss on fair value changes of bonds of HK\$436.7 million (2019: realised gain of HK\$184.2 million) and minimal realised gain (2019: realised loss of HK\$0.7 million) on structured products; (b) an unrealised gain on fair value changes of bonds of HK\$14.9 million (2019: HK\$978.5 million), unrealised loss on listed investments held-for-trading of HK\$12.7 million (2019: nil) and unrealised loss on structured products of HK\$1.9 million (2019: nil); and (c) interest income from bonds and structured products of HK\$596.1 million (2019: HK\$715.9 million), dividend income of HK\$2.1 million (2019: nil) and other net investment expenses of HK\$2.2 million (2019: other investment income of HK\$21.3 million). Net relevant finance costs for the Year was HK\$52.5 million (2019: HK\$100.3 million) including interest expense of HK\$35.9 million (2019: HK\$103.8 million) and exchange loss of HK\$16.6 million (2019: exchange gain of HK\$3.5 million).

The table below summarises the performance of bonds, structured products and listed investments held-for-trading during the Year:

	Realised (loss) gain		Unrealised gain (loss)		Interest/dividend income		Total (loss) profit	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bond issuers by industry								
Overseas financial institutions	(255.3)	97.4	11.2	399.8	114.7	278.7	(129.4)	775.9
PRC-based real estate	(137.7)	82.0	3.7	518.9	465.0	413.9	331.0	1,014.8
Others	(43.7)	4.8	-	59.8	6.0	21.4	(37.7)	86.0
	(436.7)	184.2	14.9	978.5	585.7	714.0	163.9	1,876.7
Structured products	-	(0.7)	(1.9)	-	10.4	1.9	8.5	1.2
Listed investments held-for-trading	25.3	-	(12.7)	-	2.1	-	14.7	-
	(411.4)	183.5	0.3	978.5	598.2	715.9	187.1	1,877.9
Other net investment (expenses) income							(2.2)	21.3
Profit before net finance costs							184.9	1,899.2
Net finance costs							(52.5)	(100.3)
Profit after net finance costs							132.4	1,798.9

Listed Equity Investments at Fair Value Through Other Comprehensive Income

(a) Implication on Profit or Loss for the Year

Dividend income, other investment expenses and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Year. During the Year, net dividend income of HK\$1,967.6 million (2019: nil) (after transaction cost) from holding of 860,000,000 Evergrande Shares and net relevant finance costs of HK\$31.3 million (2019: HK\$113.2 million) were recorded, hence the results from listed equity investments at FVTOCI recorded a net gain of HK\$1,936.3 million (2019: net loss of HK\$113.2 million).

(b) Implication on Other Comprehensive Expenses for the Year

During the Year, the unit share price of China Evergrande had dropped from HK\$21.6 as at 31 December 2019 to HK\$14.9 as at 31 December 2020, or 31.0% over the Year, hence an unrealised loss on fair value change of listed equity investment at FVTOCI of HK\$5,762.0 million (2019: HK\$1,591.0 million) was recognised in other comprehensive expenses. Further, another listed equity investment at FVTOCI was disposed of and recorded a net realised gain of HK\$0.1 million (2019: nil) in other comprehensive expenses for the Year. 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 it faced and overwhelming uncertainties surrounding the epidemic.

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	Profit for the Year HK\$ million	Other comprehensive expenses for the Year HK\$ million
At 31 December 2019	3333	860,000,000	21.6	18,576.0	4,980.0		
	9988	12,800	207.2	2.7	0.4		
Disposal	9988	12,800	216.6	(2.8)	-	-	-
Realised fair value changes (including transaction cost)	9988			0.1	0.1	-	0.1
Unrealised fair value changes	3333			(5,762.0)	(5,762.0)	-	(5,762.0)
				(5,764.7)	(5,761.9)	-	(5,761.9)
Transfer to retained profits upon disposal	9988				(0.5)		
Net dividend income	3333					1,967.6	-
Net finance costs						(31.3)	-
Profit/other comprehensive expenses for the Year						1,936.3	(5,761.9)
At 31 December 2020	3333	860,000,000	14.9	12,814.0	(782.0)		
Percentage to total assets							
At 31 December 2020				34.2%			
At 31 December 2019				38.4%			

Other Income and Expenses

Other income for the Year, which mainly came from surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom, rental services income, leasing administration services and property administration services income increased to HK\$281.3 million (2019: HK\$20.8 million (restated)), representing an increase of 12.5 times. The increase was mainly due to surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom in aggregate of HK\$249.8 million (2019: HK\$2.0 million) was recorded during the Year.

During the Year, administrative expenses increased by 19.0% to HK\$320.6 million (2019: HK\$269.5 million). The increase in administrative expenses was mainly due to the increase in depreciation of right-of-use assets of HK\$42.9 million during the Year. Finance costs decreased by 41.8% to HK\$215.6 million (2019: HK\$370.2 million) during

the Year, including exchange loss of HK\$13.1 million (2019: exchange gain of HK\$4.3 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments and exchange loss of HK\$7.1 million (2019: exchange gain of HK\$9.5 million) on translation of foreign currency bank borrowing and loan. The decrease in finance costs was mainly due to the decrease in total borrowings and interest rates during the Year.

Other gains and losses for the Year recorded a loss of HK\$4.9 million mainly comprised write-down of stock of properties (2019: 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 allowance for credit losses recognised in respect of advances to associates of HK\$1.0 million).

Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method for the Year recorded a loss of HK\$38.4 million (2019: profit of HK\$209.7 million), comprised loss from the share of results of associates of HK\$35.6 million and a joint venture of HK\$2.8 million (2019: profit from the share of results of associates of HK\$5.0 million and a joint venture of HK\$204.7 million).

The share of results of associates turned from profit to loss was mainly derived from (a) decrease in fair value of investment properties held by associates; and (b) share of loss from Hilton Beijing (50% interest) as business was severely affected by COVID-19 pandemic.

During the Year, the Group acquired remaining 49% interest in Landrich, details were disclosed in the section headed “Other Information” below.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31 December 2020 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\$1,549.2 million (2019: HK\$742.7 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\$622.2 million as compared to HK\$790.2 million for last year. The decrease in profit for the Year was mainly due to a mix of the following reasons: (a) decrease in profit from investments and treasury products at FVTPL of HK\$1,666.5 million; (b) increase in unrealised loss on fair value changes of investment properties of HK\$806.5 million; (c) share of results of investments accounted for using the equity method turned from profit of HK\$209.7 million to loss of HK\$38.4 million; (d) decrease in net rental income; (e) net dividend income of HK\$1,967.6 million (2019: nil) was recognised from the Evergrande Shares during the Year; (f) surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom of HK\$249.8 million (2019: HK\$2.0 million) were recorded during the Year; and (g) no impairment loss of goodwill (2019: HK\$322.9 million) was recognised during the Year. Earnings per share for the Year was HK\$0.33 (2019: HK\$0.41).

Core Profit

If the net loss on the major non-cash items of HK\$1,605.1 million (2019: HK\$907.2 million) is excluded, the Group will have a core profit for the Year attributable to owners of the Company of HK\$2,227.3 million (2019: HK\$1,697.4 million) and a core profit per share of HK\$1.17 (2019: HK\$0.89).

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\$1,605.1 million (2019: 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 and impairment loss of goodwill of HK\$322.9 million).

Dividends

Final dividend of HK1 cent (year ended 31 December 2018: HK10 cents) per share in total amount of HK\$19.07 million for the year ended 31 December 2019 was paid in cash on 11 June 2020.

Interim dividend of HK1 cent (half year ended 30 June 2019: HK1 cent) per share in total amount of HK\$19.07 million for the half year ended 30 June 2020 was paid on 7 September 2020.

Total dividends of HK\$38.1 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\$2,227.3 million or HK\$1.17 per share (2019: HK\$1,697.4 million or HK\$0.89 per share); and (b) cash final dividend for the Year of HK1 cent (2019: HK1 cent) per share proposed; and (c) cash interim dividend for 2020 of HK1 cent (2019: HK1 cent) per share paid, the ratio of such cash payment to the core profit is 1.7% (2019: 2.2%).

Total Comprehensive Expenses

Total comprehensive expenses for the Year attributable to owners of the Company was HK\$4,978.6 million or HK\$2.61 per share (2019: HK\$283.6 million or HK\$0.15 per share), which comprised (a) profit for the Year attributable to owners of the Company of HK\$622.2 million (2019: HK\$790.2 million); and (b) other comprehensive expenses for the Year attributable to owners of the Company of HK\$5,600.8 million (2019: HK\$1,073.8 million) which mainly included unrealised loss on fair value changes of listed equity investment at FVTOCI of HK\$5,762.0 million (2019: HK\$1,590.6 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 2020, the Group's net asset value attributable to owners of the Company amounted to HK\$28,758.8 million (2019: HK\$33,568.9 million), a decrease of HK\$4,810.1 million or 14.3% when compared with 31 December 2019. With the total number of ordinary shares in issue of 1,907,619,079 as at 31 December 2020 and 2019, the net asset value per share attributable to owners of the Company was HK\$15.08 (2019: HK\$17.60). 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\$4,978.6 million; (b) gain of HK\$206.6 million recognised in contribution reserve upon disposal of debt securities during the Year; and (c) final and interim dividends recognised as distribution during the Year totaling of HK\$38.1 million.

During the Year, loss on fair value changes of the listed equity investments categorised as financial assets measured at FVTOCI of HK\$5,761.9 million (2019: HK\$1,590.6 million) was recorded in other comprehensive expenses, and the Group transferred the balance of the financial assets measured at FVTOCI reserve of the disposed listed equity investment of HK\$0.5 million to retained profits. The cumulative amount of loss on fair value changes of listed equity investment(s) included in financial assets measured at FVTOCI reserve as at 31 December 2020 was HK\$782.0 million (2019: cumulative amount of gain on fair value changes of HK\$4,980.4 million).

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

Net Current Liabilities

The Group recorded net current liabilities as at 31 December 2020 of HK\$1,508.9 million (2019: HK\$1,138.6 million), of which current assets were HK\$4,272.0 million (2019: HK\$8,653.9 million) and current liabilities were HK\$5,780.9 million (2019: HK\$9,792.5 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, listed equity investments and structured products, the total carrying amount as at 31 December 2020 was HK\$16,306.8 million (2019: HK\$27,554.2 million). Included in non-current assets were part of the bonds in the sum of HK\$1,571.3 million (2019: HK\$1,607.4 million) presented as financial assets measured at FVTPL and listed equity investment(s) in the sum of HK\$12,814.0 million (2019: HK\$18,578.7 million) presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds, listed investments held-for-trading and structured products in the sum of HK\$1,921.5 million (2019: bonds of HK\$7,368.1 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\$1,074.1 million (2019: HK\$7,128.4 million) were presented as borrowings in current liabilities.

The ratio of margin loans against pledged securities investments was loan-to-value ratio, which was 8.3% (2019: 25.9%) as at 31 December 2020. 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. As at 31 December 2020, the outstanding margin loans amounted to HK\$1,074.1 million (2019: HK\$7,128.4 million) were recorded in current liabilities. 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 2020 were presented as current assets, current assets would be increased by HK\$14,385.3 million (2019: HK\$20,186.1 million), and net current liabilities position of HK\$1,508.9 million (2019: HK\$1,138.6 million) would become net current assets position of HK\$12,876.4 million (2019: HK\$19,047.5 million).

The Group believes that the net current liabilities position as at 31 December 2020 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 2020, the portfolio of securities investments and treasury products of HK\$16,306.8 million (2019: HK\$27,554.2 million) comprised (a) bonds, structured products and listed investments held-for-trading (presented as financial assets measured at FVTPL (non-current and current assets)) in aggregate of HK\$3,492.8 million (2019: bonds of HK\$8,975.5 million); and (b) listed equity investment(s) (presented as financial assets measured at FVTOCI) of HK\$12,814.0 million (2019: HK\$18,578.7 million), representing 43.5% (2019: 57.0%) 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, there was 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 2020.

As at 31 December 2019, the cumulative unrealised gain on fair value change of the Evergrande Shares was HK\$4,980.0 million and the carrying amount of the Evergrande Shares was HK\$18,576.0 million. After deducting the unrealised fair value loss of HK\$5,762.0 million for the Year, the carrying amount of the Evergrande Shares as at 31 December 2020 was HK\$12,814.0 million, representing 34.2% (2019: 38.4%) of total assets. The cumulative unrealised gain on fair value change of the Evergrande Shares of HK\$4,980.0 million as at 31 December 2019 turned to unrealised loss on fair value change of HK\$782.0 million as at 31 December 2020, 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 2019 and 2018, the revenue and profit attributable to shareholders were RMB477.6 billion (2018: RMB466.2 billion) and RMB17.3 billion (2018: RMB37.4 billion) respectively; while the total assets and total equity were RMB2,206.6 billion (2018: RMB1,880.0 billion) and RMB358.5 billion (2018: RMB308.6 billion) respectively, the net debt was RMB571.1 billion (2018: RMB468.9 billion). In accordance with the unaudited consolidated financial statements of China Evergrande for the six months ended 30 June 2020, the revenue and profit attributable to shareholders were RMB266.6 billion and RMB6.5 billion respectively; while the total assets and total equity were RMB2,299.1 billion and RMB316.5 billion respectively, the net debt was RMB630.8 billion. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

As at 31 December 2019, the carrying amount of another listed equity investment at FVTOCI was HK\$2.7 million, after recorded a net realised gain of HK\$0.1 million (2019: an unrealised gain on fair value change of HK\$0.4 million) and was decreased by a disposal of HK\$2.8 million (2019: nil), the carrying amount of that listed equity investment at FVTOCI became nil. The cumulative fair value gain together with the transaction costs in the financial assets measured at FVTOCI reserve of that listed equity investment disposed of amounted to HK\$0.5 million was transferred to retained profits.

Investments and Treasury Products at Fair Value Through Profit or Loss

As at 31 December 2019, the carrying amount of the bonds presented as financial assets measured at FVTPL was HK\$8,975.5 million. During the Year, the bonds portfolio was decreased by a net disposal of HK\$5,266.1 million (including disposal to Ms. Chan, Hoi-wan of HK\$6,377.6 million and net acquisition from third parties of HK\$1,111.5 million). After deducting the fair value loss of HK\$421.8 million recognised in profit or loss, the bonds portfolio of the Group became HK\$3,287.6 million as at 31 December 2020, representing 8.8% (2019: 18.6%) of total assets, which formed part of the Group's cash management activities.

As at 31 December 2020, the bonds portfolio comprised bonds issued by overseas financial institutions of 9.4% (2019: 40.5%), PRC-based real estate companies of 90.6% (2019: 55.9%) and no other industries (2019: 3.6%). They are denominated in different currencies with 91.4% (2019: 97.0%) in US\$, 8.0% (2019: 3.0%) in GBP and 0.6% (2019: nil) in EUR. The bonds denominated in US\$ carry at fixed rate range from 7.000% to 13.000% (2019: 4.750% to 13.750%) per annum of which notional amount of US\$188.2 million (2019: US\$937.0 million) are callable, all bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% (2019: 5.875% to 7.250%) per annum of notional amount of GBP23.5 million (2019: GBP24.5 million) are callable and bond denominated in EUR carries at fixed rate of 6.125% of notional amount of EUR2.0 million (2019: nil) is callable. As at 31 December 2020, the bonds portfolio comprised of 27 bonds (2019: 34 bonds); in terms of credit rating, non-investment grade and unrated were 18 bonds and 9 bonds (2019: investment grade, non-investment grade and unrated were 5 bonds, 26 bonds and 3 bonds) respectively. In terms of maturity, 5 bonds (2019: 17 bonds) were contingent convertible bonds issued by overseas financial institutions which were perpetual with no fixed tenor, 22 bonds (2019: 17 bonds) issued by issuers other than overseas financial institutions of which 21 bonds (2019: 17 bonds) will be matured between 2021 to 2025 (2019: between 2020 to 2046) and remaining 1 bond (2019: nil) was perpetual bond.

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 2019	3,632.4	5,015.1	328.0	8,975.5
Purchases	17.2	2,012.3	10.1	2,039.6
Disposals	(3,096.0)	(3,915.3)	(294.4)	(7,305.7)
Fair value changes (recognised in profit or loss)	(244.1)	(134.0)	(43.7)	(421.8)
At 31 December 2020	309.5	2,978.1	-	3,287.6
Percentage to total assets				
At 31 December 2020	0.8%	8.0%	-	8.8%
At 31 December 2019	7.5%	10.4%	0.7%	18.6%

	At 31 December 2020		At 31 December 2019	
	HK\$ million	Percentage to total	HK\$ million	Percentage to total
Bond issuers by industry				
Carrying amounts				
Overseas financial institutions	309.5	9.4%	3,632.4	40.5%
PRC-based real estate	2,978.1	90.6%	5,015.1	55.9%
Others	-	-	328.0	3.6%
	3,287.6	100.0%	8,975.5	100.0%

	At 31 December 2020			At 31 December 2019		
	Coupon rate (per annum)	HK\$ million	Percentage to total	Coupon rate (per annum)	HK\$ million	Percentage to total
Bonds by currency						
Carrying amounts						
US\$	7.000% to 13.000%	3,004.6	91.4%	4.750% to 13.750%	8,710.3	97.0%
GBP	5.875% to 7.250%	262.6	8.0%	5.875% to 7.250%	265.2	3.0%
EUR	6.125%	20.4	0.6%	n/a	-	-
		3,287.6	100.0%		8,975.5	100.0%

Investment in China Evergrande

As at 31 December 2020, the Group's securities investments 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\$13,414.2 million (2019: HK\$20,012.0 million) or 35.8% (2019: 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 2020, the market value of the Evergrande Shares was HK\$12,814.0 million (2019: HK\$18,576.0 million), there was net dividend income of HK\$1,967.6 million (after transaction costs) for the Year. During the Year, the Group disposed of 4 bonds which were issued by China Evergrande and its indirect wholly-owned subsidiary, Scenery Journey Limited (collectively "Evergrande Group") recorded a realised loss of HK\$77.0 million and relevant interest income of HK\$104.0 million in profit or loss and gain of HK\$155.3 million in the contribution reserve. As at 31 December 2020, the Group also held 6 bonds which were issued by the Evergrande Group.

Details and performance of the 6 bonds issued by the Evergrande Group as at 31 December 2020 and for the Year are summarised as follows:

Bonds	Name of issuer	Acquisition cost HK\$ million	Market price %	Market value HK\$ million	Unrealised gain (loss) HK\$ million	Interest income HK\$ million
Evergrande 8.75%	China Evergrande Group	6.2	83.080	6.4	0.3	0.1
Evergrande 10.5%	China Evergrande Group	40.1	91.040	42.3	2.2	0.3
Evergrande 12%	China Evergrande Group	112.7	94.895	117.7	5.0	0.6
Scenery Journey 11.5%	Scenery Journey Limited	29.6	94.435	29.3	(0.3)	1.3
Scenery Journey 12%	Scenery Journey Limited	14.7	93.325	14.5	(0.2)	0.8
Scenery Journey 13%	Scenery Journey Limited	438.5	96.730	390.0	(23.4)	52.4
Evergrande Group's bonds at 31 December 2020		641.8		600.2	(16.4)	55.5

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and the Stuttgart Stock Exchange and rated "B3e" by Moody's Investors Service, Inc. ("Moody's").

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 SGX-ST and rated "B2" by Moody's.

Evergrande 12% bond carries fixed coupon rate of 12% per annum. It is denominated in US\$ and matures on 22 January 2024. The bond is listed on the SGX-ST and rated “B2” by Moody’s.

Scenery Journey 11.5% bond carries fixed coupon rate of 11.5% per annum. It is denominated in US\$ and matures on 24 October 2022. The bond is listed on the SGX-ST and rated “B2” by Moody’s.

Scenery Journey 12% bond carries fixed coupon rate of 12% per annum. It is denominated in US\$ and matures on 24 October 2023. The bond is listed on the SGX-ST and rated “B2” 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.

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 and the carrying amount was HK\$467.9 million as at 31 December 2019. During the Year, the Group has contributed US\$1.1 million (equivalent to approximately HK\$8.3 million) and received distribution of US\$2.3 million (equivalent to approximately HK\$17.6 million) (which were included in financial assets measured at FVTOCI), after adding the fair value gain for the Year of HK\$30.0 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$488.6 million as at 31 December 2020, representing 1.3% (2019: 1.0%) of total assets.

Risk Management

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

Equity

The number of issued ordinary shares as at 31 December 2020 and 2019 were 1,907,619,079.

Debt and Gearing

As at 31 December 2020, the Group’s total debt amounted to HK\$7,389.0 million (2019: HK\$13,574.3 million), comprised bank and other borrowings of HK\$7,263.8 million (2019: HK\$13,442.3 million) and lease liabilities amounted to HK\$125.2 million (2019: HK\$132.0 million). Cash and deposits at banks amounted to HK\$1,654.5 million (2019: HK\$565.3 million), pledged deposits amounted to HK\$260.5 million (2019: HK\$274.2 million) and net debt (including lease liabilities) amounted to HK\$5,474.0 million (2019: HK\$12,734.8 million).

Total debt to equity ratio (including lease liabilities) was 25.7% (2019: 40.4%) and net debt to equity ratio (including lease liabilities) was 19.0% (2019: 37.9%), which are expressed as a percentage of total debt, and net debt, respectively, over the total equity of HK\$28,780.3 million (2019: HK\$33,590.4 million). The decrease in both ratios was mainly due to decrease in total debt and net debt.

If the securities investments and treasury products of HK\$16,306.8 million (2019: HK\$27,554.2 million) are included, there would be a net cash position of HK\$10,832.8 million (2019: HK\$14,819.4 million).

As at 31 December 2020, the Group’s bank and other borrowings of HK\$7,263.8 million, 73.1%, 12.8% and 14.1% 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\$ (28.2%), GBP (54.4%), US\$ (17.0%) and EUR (0.4%) before entering the cross currency swap. HK\$, GBP and EUR securities investments were hedged by HK\$, GBP and EUR 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 2020, notional amount of approximately US\$159.7 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 2020, 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 2020, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group’s investment properties of HK\$12,387.0 million (2019: HK\$12,248.6 million) and bank deposits of HK\$233.2 million (2019: HK\$255.8 million) were pledged to the banks to secure general banking and loan facilities granted to the Group.
- (b) The Group’s bonds, listed equity investments and structured product with carrying amounts of HK\$12,877.3 million (2019: bonds and listed equity investments of HK\$27,554.2 million) and cash deposits of HK\$27.3 million (2019: HK\$18.4 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\$1,074.1 million (2019: HK\$7,128.4 million) was utilised as at 31 December 2020 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.

As at 31 December 2019, 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.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Interest income for the Year decreased to HK\$603.4 million (2019: HK\$724.9 million), representing a decrease of 16.8% as compared with last year which was mainly due to the decrease in bonds portfolio and hence its relevant interest income during the Year.

Finance costs included interest expenses on bank and other borrowings and lease liabilities; 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\$185.4 million, representing a decrease of 50.7% over last year of HK\$375.8 million. Interest capitalised for the Year was HK\$2.8 million (2019: nil). The decrease in interest expenses was mainly due to the decrease in total borrowings and interest rates during the Year. The average interest rate over the year under review was 1.99% (2019: 2.67%), which was expressed as a percentage of total interest paid (excluding interest on lease liabilities) over the average total interest-bearing borrowings.

Remuneration Policies

As at 31 December 2020, the Group employed a total of 475 staff (2019: 481 staff) including about 236 staff (2019: 235 staff) employed under the estate management company in Hong Kong and 1 staff (2019: 1 staff) 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.

United Kingdom and Mainland China

As at 31 December 2020, the Group’s investment properties in the United Kingdom with carrying amount of GBP719.7 million (equivalent to approximately HK\$7,614.2 million) (2019: GBP788.2 million (equivalent to approximately HK\$8,051.1 million)) incurred a net loss of HK\$396.7 million (2019: HK\$813.0 million) to the Group for the Year, the loss mainly included in gross profit, other income, fair value changes on investment properties, finance costs and taxation. GBP exchange gain of foreign operations included in other comprehensive expenses for the Year amounted to HK\$132.5 million (2019: HK\$114.3 million). As at 31 December 2020, the Group’s net investment in the United Kingdom amounted to HK\$4,025.4 million (2019: HK\$4,129.6 million) representing 14.0% (2019: 12.3%) of the Group’s total equity.

Loss incurred by the Group's investment in Mainland China (mainly included in fair value changes on investment properties, share of results of investments accounted for using the equity method and taxation) for the Year amounted to HK\$44.3 million (2019: HK\$24.5 million). RMB exchange gain of foreign operations included in other comprehensive expenses (including share of investments accounted for using the equity method) for the Year amounted to HK\$30.0 million (2019: exchange loss of HK\$11.6 million). The Group's net investment in Mainland China as at 31 December 2020 amounted to HK\$518.1 million (2019: HK\$536.6 million) representing 1.8% (2019: 1.6%) 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 2020 and 2019 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 2020 and 2019 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method and/or residual method as the valuation methodologies and were used in preparing 2020 final results.

The Group's investment properties were valued at HK\$14,373.3 million (2019: HK\$14,759.5 million), a decrease of 9.7% over 2019 after adjusted for the additions and exchange adjustments of investment properties during the Year. The decrease in fair value of HK\$1,549.2 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared a decrease in fair value of investment properties of associates and a joint venture of HK\$62.3 million in total for the Year.

The decrease in fair value of HK\$1,549.2 million was mainly derived from the decrease in fair value of Harcourt House and Causeway Place in Hong Kong and River Court in the United Kingdom. The spreading of COVID-19 pandemic has adversely affected the fair value of investment properties of the Group. 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 2020, the occupancy rate of the shops of Causeway Place was approximately 98.01%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 95.85% during the Year.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 70.57% during the Year.

During the Year, the average occupancy rate of the Group's office property, Harcourt House was approximately 81.37%.

Nos. 14-18 Ma Kok Street (100% interest), an industrial building in Tsuen Wan was vacant as at 31 December 2020. The redevelopment comprises of a 25-storey industrial building (including 2 basement levels for parking and loading/ unloading facilities) with a total gross floor area of approximately 228,000 square feet. It is currently in planning and design stage. Demolition of the existing building has been completed, and foundation construction will commence in early 2021. The new building is expected to be completed by early 2025. The Group's equity interest in the company holding Nos. 14-18 Ma Kok Street has been increased from 51% to 100% in February 2020.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the average occupancy rate was approximately 97.88% during the Year.

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 2020, 99.79% of total residential 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 2020, all residential 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, with a total gross floor area of around 1,853,561 square feet. 4 residential tower blocks with 1,999 residential units in aggregate are built in two phases. Up to 31 December 2020, 860 units of first phase and 770 units of second phase were presold. Superstructure works of both phases are completed, occupation permit was issued in November 2020, and certificate of compliance is anticipated to be granted in the second quarter of 2021.

Mainland China Property Investment

Hilton Beijing (50% interest), a five-star international hotel having 506 rooms, its occupancy rate has been dropped to approximately 40.14 % as at 31 December 2020 due to renovation works and the outbreak of COVID-19. Due to the pandemic, the renovation works of 5th to 14th Floors of the main tower were temporarily suspended.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing. Its average occupancy rate was approximately 73.29% during the Year.

Overseas Property Investment

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, the retails portion of River Court was fully let while the office accommodation was vacant as the anchor tenant has moved out in the first quarter of 2020. It is expected that asset enhancement works of office accommodation will be carried out in due course when relevant 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, approximately 91.61% had been let out during the Year on average.

"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. During the Year, the average occupancy rate was approximately 83.34%.

"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 2020, the Group's securities investment portfolio mainly comprised bonds, listed equity investments and treasury products. The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company. The Group's strategy for future investments is to invest in a diversified portfolio to minimise risks with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance.

The gain recognised from securities investments and treasury products for the Year was approximately HK\$2,068.7 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

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

As announced on 10 January 2020, the Group 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 for the Company under the Listing Rules.

Disposal of Debt Securities – Major and Connected Transaction

As announced on 29 January 2020, the Group entered into a disposal agreement with Ms. Chan, Hoi-wan (an Executive Director (as at the date of such announcement) and a trustee of the substantial shareholders of the Company (who are her minor children)) in relation to, inter alia, the disposal of certain debt securities (the "Disposal"). The Disposal constituted a major and connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting of the Company held on 23 March 2020. The disposal of the last tranche of the debt securities was completed on 18 December 2020. Details of the Disposal were set out in the Company's announcement dated 29 January 2020, circular dated 28 February 2020 and announcement dated 18 December 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 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.

Change of Address of Principal Office in Hong Kong

With effect from 20 April 2020, the address of the Company's head office and principal place of business in Hong Kong has been changed to 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong. Relevant announcement had been made on 17 April 2020.

Leasing of Windsor House – Connected Transaction and Continuing Connected Transaction

As announced on 12 June 2020, the Group (as tenant) entered into a tenancy agreement in relation to the leasing of the whole of 39th Floor of Chubb Tower, Windsor House with a company at that time indirectly owned by (i) Ms. Chan, Hoi-wan (an Executive Director (as at the date of such announcement) and a trustee of the substantial shareholders of the Company (who are her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; and (ii) a family trust of Mr. Lau, Ming-wai (a Non-executive Director and the Chairman of the Board) (as landlord) (the "Transaction"), for the purpose of other part of the new headquarter of the Group. The Transaction constituted a connected transaction and a continuing connected transaction for the Company under the Listing Rules as more described in the Company's announcement dated 12 June 2020.

Contract for Services – Discloseable and Continuing Connected Transactions

As announced on 14 August 2020, the Group entered into a contract for services with Ms. Chan, Hoi-wan (an Executive Director (as at the date of such announcement) and a trustee of the substantial shareholders of the Company (who are her minor children)), whereby the Group agreed to provide to Ms. Chan, Hoi-wan and/or her associate(s) or relative(s) leasing administration services, sale administration services, property management services, property administration services, asset management and maintenance services, rental services, advisory and consultancy services, and other ordinary services for a term of 3 years commenced on 1 November 2020 (the "Contract for Services Transaction"). The Contract for Services Transaction constituted discloseable and continuing connected transactions for the Company under the Listing Rules as more described in the Company's announcement dated 14 August 2020 and circular dated 7 October 2020. The Contract for Services Transaction was approved by the independent shareholders of the Company at the special general meeting of the Company held on 28 October 2020.

Subscription of New Notes – Discloseable Transaction

On 26 November 2020, the Group entered into a placement and subscription agreement in relation to the subscription for 8.875% senior notes due 2021 (the "New Notes") on a private placement basis in the principal amount of US\$100,000,000 (equivalent to HK\$775,230,000) issued by Zhongliang Holdings Group Company Limited (the shares of which are listed on the Stock Exchange (stock code: 2772)), an independent third party, at the issue price of 98.966% of the principal amount of the New Notes plus accrued interest (the "Subscription"). The Subscription constituted a discloseable transaction for the Company under the Listing Rules as more described in the Company's announcement dated 26 November 2020.

Update on Impact on the Outbreak of COVID-19 to the Group

The outbreak of COVID-19 in Hong Kong and many countries started in early 2020 and continues up to the date of this announcement, its social-economic impact is unprecedented. The global pandemic is having a major impact on the economies and financial markets.

The drop in rental income of the Group during the Year was mainly due to the surrender of lease by an anchor tenant of one of the Group's investment properties in the United Kingdom. Meanwhile, in view of COVID-19 pandemic, rent concessions have been given by the Group to certain tenants to ease their hardship that resulted in a drop in rental income.

The spreading of COVID-19 pandemic has adversely affected the fair value of investment properties of the Group. During the Year, the Group recorded an unrealised loss on fair value changes of investment properties of HK\$1,549.2 million.

The Group shared loss from Hilton Beijing (50% interest) during the Year, mainly due to the significant decline in room sales and food and beverage business, as a result of COVID-19 pandemic.

For the financial market, due to recent market volatility and changes in the market sentiments of the pandemic, the market price of securities investment during the Year was in general lower than the beginning of the Year. During the Year, the Group recognised realised loss on investments and treasury products at fair value through profit or loss of HK\$411.4 million in profit or loss.

As COVID-19's duration is unpredictable and the extent of its impact is not easy to determine under this volatile situation of the pandemic, it is believed that COVID-19 will continue to affect the Group's businesses for a period of time.

PROSPECTS

The COVID-19 pandemic still dominates the global economic outlook, while the new variants of the virus also posed concerns. Although the global economy is emerging from the collapse triggered by COVID-19, the recovery is likely to be subdued. Despite the 2020 United States presidential election came to an end, the direction of foreign and economic policies of the new United States administration, particularly its implications on China-US relations, remains to be seen.

Though Hong Kong economy saw some improvement in the third quarter of 2020, with local consumption and business sentiments have shown relative improvement, its epidemic situation saw an abrupt deterioration amid the fourth wave of local infections. Unemployment rate hit a 16-year high of 6.6 per cent in the final quarter of 2020 and worsened in January 2021 to 7 per cent, close to a 17-year high. Resulting from the re-tightening of social distancing measures since the surge of fourth wave of the pandemic, food and beverage sector remains as the main victim. This inevitably slow the pace or even reverse the course of the recovery of Hong Kong's economy. As a result, the near-term economic outlook will hinge critically on the development of the local COVID-19 situation.

As for tourism sector in Hong Kong, travel restrictions around the globe will continue to hard hit inbound tourism. The spreading of COVID-19 pandemic has also adversely affected the fair value of investment properties of the Group. It is therefore expected that the Group's investment properties will continue to face numerous challenges over 2021. Despite the high unemployment rate, fourth wave of pandemic and social distancing measures, residential sales market has outperformed other segments of properties, which indicated that shortage still prevails. In particular, the low interest rate environment and abundant liquidity also helped stabilize Hong Kong residential market.

In the United Kingdom, Brexit deal is finally confirmed. European Union and the United Kingdom finally reached a deal governing their future relationship days before the end of the Brexit transition period on 31 December 2020. The breakthroughs remove uncertainty in the short-term. While the news is welcome for the markets, the economic impact is being overshadowed by the financial fallout of the pandemic. There are major risks to the downside associated with the emergence of new COVID-19 strains and their effect on the path of the virus. Notwithstanding the uncertainties associated with the constantly changing landscape in the United Kingdom, the Group remains to preserve long-term view for the United Kingdom economy. Our immediate focus remains on the asset enhancement works of our properties in the United Kingdom through team of experts, despite the decrease in fair value of these investment properties. Meanwhile, we will continue to address to the surrounding challenges and be well prepared to capture investment opportunity at an opportune moment.

For equity market, good news like the United States presidential election in November 2020 and the launch of COVID-19 vaccines gave another boost to equity markets. The improving risk sentiment has attracted funds flowing to risky assets, and investment demand for gold drops. Gold prices therefore softened significantly in November 2020. However, the development of the pandemic is still the biggest uncertainty facing by investors. In Hong Kong stock market, amidst the uncertainties due to global pandemic and China-US dispute, market funds are still ample which boost the liquidity. Investors generally expect Hang Seng Index would experience significant rebound in 2021. In the United States, its equity market went through a roller-coaster ride in 2020 but ended on positive note. With the improving economic momentum over the coming months, investors eye on 2021 are positive.

Though considerable uncertainties cloud the global economy, the market is generally expected that the global economy will recover gradually. We believe changes come with opportunity. Looking ahead, the Group will address to the challenging environment and acts watchfully and cautiously and concern 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 Meetings

Mr. Lau, Ming-wai, a Non-executive Director, was unable to attend the special general meetings of the Company held on 23 March 2020 and 28 October 2020 (“SGMs”), and the annual general meeting of the Company held on 26 May 2020 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another Non-executive Director, was also unable to attend the SGMs and AGM as she was not in Hong Kong on the dates of SGMs and AGM.

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.

BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised nine Directors, including four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors.

Ms. Chan, Sze-wan resigned from her offices of Executive Director, the Chief Executive Officer of the Company, an authorised representative of the Company under Rule 3.05 of the Listing Rules, and the chairman and member of the investment committee of the Company with effect from 17 February 2021. In light of the resignation of Ms. Chan, Sze-wan, the Board has appointed Ms. Chan, Hoi-wan, an Executive Director, as the Chief Executive Officer of the Company, an authorised representative of the Company under Rule 3.05 of the Listing Rules, and the chairman and member of the investment committee of the Company with effect from 17 February 2021. The Company has made relevant announcement on 17 February 2021.

As at the date of this announcement, the Board comprised eight Directors with Independent Non-executive Directors representing more than one-third of the Board.

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, 8 March 2021

As at the date of this announcement, the Board comprised 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 8 March 2021.