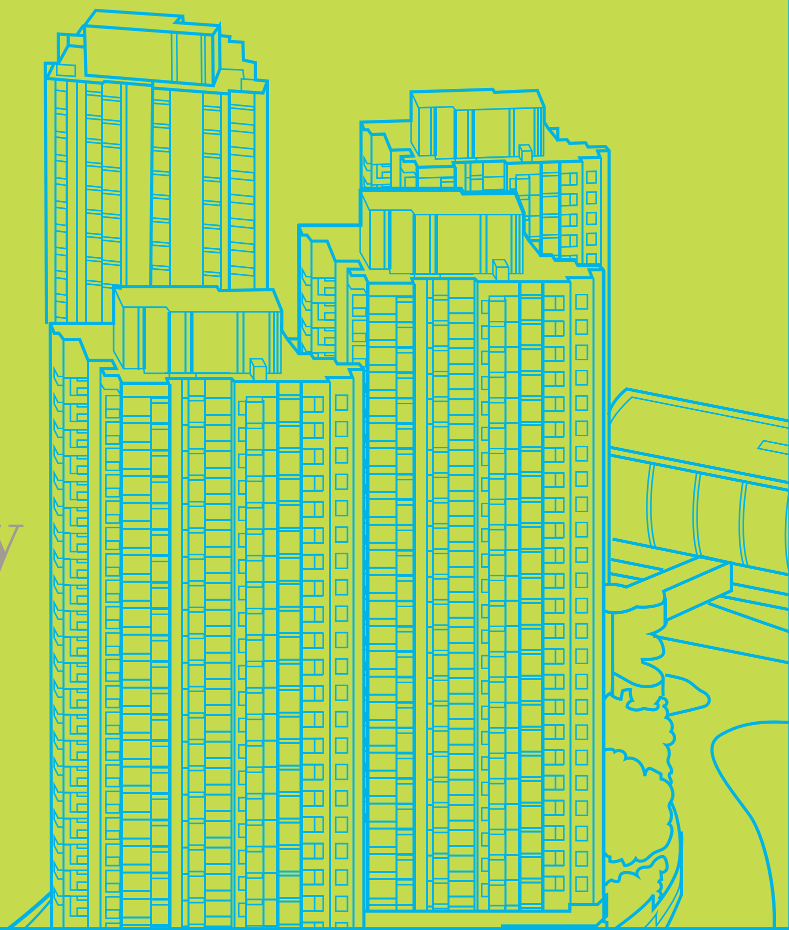
ANNUAL REPORT 2017 年報

嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

Stock code 股份代號 00173



Delivering Value with Distinctive Quality

建優創值 力臻恒遠

OUR MISSION

企業使命

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.

秉承以客為本及追求卓越之精神，不斷透過研究、設計及創造價值，恪守不屈不撓、群策群力及具遠見之經營理念，為客戶提供優質產品及服務，並為股東帶來理想投資回報。

CORPORATE PROFILE

公司簡介

K. Wah International Holdings Limited ("KWIH" or "the Group", stock code: 00173) is the listed property arm of K. Wah Group. With a strong foothold established in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of residential developments, Grade A office towers, hotels, serviced apartments and retail complexes are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Sharing the common vision of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers' needs and creating added value in the projects we undertake as a premiere brand.

Taking pride in our track record and strong financial capability, guided by the spirit of prudence and excellence, we will continue to adopt a progressive strategy with a disciplined approach in land acquisition, in strive for setting ever higher standards of quality living spaces and delivering long term shareholder value.

嘉華國際集團有限公司(「嘉華國際」或「集團」；股份代號：00173)為嘉華集團旗下之房地產業務旗艦，創立並紮根於香港，至今已發展成以香港、長三角及珠三角地區為策略據點之綜合發展商及投資者，所開發之項目均以品精質優見稱。

嘉華國際擅長於開發精品物業，由旗下專業團隊所拓展之項目涵蓋住宅、甲級商廈、酒店、服務式公寓及特色商舖，物業皆匠心獨運，揉合特色設計、精湛技術、頂尖設備及創新元素於一身，多年來物業質素備受市場認同，建築及設計屢獲國際殊榮。

集團以締造理想和諧的生活國度為發展宗旨，因地制宜，不僅用心傳承「嘉華」的優質品牌內涵，更以臻善創新的意念打造別樹一幟的物業，塑造現代生活新標準，切合用家需要的同時，亦為物業注入長遠價值。

憑藉資深經驗及雄厚財政實力，嘉華國際將繼續以審慎進取的策略，物色具潛力的土地，竭誠為客戶打造優質的生活空間，為股東帶來長遠而持續的回報。

Company website

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Hall of Achievement

K. Wah International Holdings Limited

- Metro Awards for Brand Excellence – Property Brand of Design Excellence
- BCI Asia Top 10 Developers 2017 Hong Kong
- Outstanding Corporate Governance Award 2017
- Outstanding Corporate Social Responsibility Award
- Employer of Choice Award 2017
- Employer of Choice Award 2017 – Work-life balance Award
- China Human Resources Pioneer Employer Award 2017
- 2016 annual report: Silver Awards – "Cover Photo/Design: Real Estate Integrated Development & Investment" and "Cover Photo/Design: Real Estate Development/SVC: Various & Multi-Use"
- 2016 annual report: Silver Awards – "Real Estate Development – Integrated Presentation" and "Residential Real Estate/General – Cover Design (Design Concept)"
- Certificate of Excellence 2017 – Investor Relations

Twin Peaks, Hong Kong

- Award Winner – Residential High-rise Development Hong Kong
- Award Winner – Residential High-rise Architecture Hong Kong
- Best Residential High-rise Development Hong Kong
- Highly Recommended: Best Condo Architectural Design
- Highly Recommended: Best Universal Design Development

The Spectra, Hong Kong

- Award Winner – Residential Development Hong Kong

K. City, Hong Kong

- Best Contemporary Residential Architecture in Smart City
- Best Residential Layout Design

Stanford Residences Serviced Apartment

- iDEAL Shanghai Awards 2017: Best Serviced Apartment Brand
- China Travel & Meetings Industry Awards 2017: Serviced Apartment Operator of the Year
- Golden-Pillow Award of China Hotels: 2017 China's Most Popular Serviced Residence Hotel Brand
- Serviced Apartments (Puxi) of the Year – Stanford Residences Jing An
- Serviced Apartments (Pudong) of the Year – Stanford Residences Jin Qiao
- Serviced Apartments of the Year – Stanford Residences Xu Hui

The Peak, Nanjing

- China Property Brands Awards 2017: Best Residence of the Year
- China Property Brands Awards 2017: Potential Residence of the Year
- China Iconic Luxury Residence of the Year 2017
- China Top 100 Valuable Residential Property 2017-2018
- Popular Residence of the Year in Nanjing 2017: Calendulas Award

J Metropolis, Guangzhou

- Best Popular Selling Regional Residence 2017
- New Marketing of Southern China Real Estate – Network Event 2017
- China Best Property Brand Enterprise of the Year 2017

Silver Cove, Dongguan

- Guangdong Property Brands Awards 2017: Most Influential Property Enterprise in the Guangdong-Hong Kong-Macao Bay Area
- Guangdong Property Brands Awards 2017: Best Popular Selling Residence in Dongguan
- Dongguan's Best Commercial District
- People's Favourite Residence in Dongguan
- Best Commercial Street of 2017 in Dongguan
- Iconic Luxury Residence of 2017 in Dongguan
- Dongguan Quality Residence Awards 2017
- The Greater Bay Area Metal Real Estate Brands Awards 2017: Iconic Residence of the Year in the Greater Bay Area
- The Greater Bay Area Metal Real Estate Brands Awards 2017: Best Commercial Street in Dongguan

Financial Calendar

DATES	EVENTS
23 August 2017	Announcement of Interim Results for the six months ended 30 June 2017
20 October 2017	Payment of 2017 Interim Scrip Dividend (with a cash option) of 5 HK cents per share
20 March 2018	Announcement of Annual Results for the year ended 31 December 2017
1 June 2018 to 6 June 2018 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2018 Annual General Meeting
6 June 2018	2018 Annual General Meeting
14 June 2018 to 19 June 2018 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2017 Final Dividend
19 June 2018	Record Date for 2017 Final Dividend
18 July 2018	Payment of 2017 Final Scrip Dividend (with a cash option) of 13 HK cents per share

Corporate Information

CHAIRMAN & MANAGING DIRECTOR
Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

EXECUTIVE DIRECTORS
Mr. Francis Lui Yiu Tung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*
Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTOR
Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Robin Chan Yau Hing, *GBS, LLD, JP*
Dr. William Yip Shue Lam, *LLD*
Mr. Au Man Chu
Mr. Wong Kwai Lam

AUDIT COMMITTEE
Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*
Mr. Au Man Chu

REMUNERATION COMMITTEE
Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*
Mr. Wong Kwai Lam

NOMINATION COMMITTEE
Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA (Chairman)*
Dr. William Yip Shue Lam, *LLD*
Mr. Wong Kwai Lam

COMPANY SECRETARY
Ms. Cecilia Lee Wai Kwan

INDEPENDENT AUDITOR
PricewaterhouseCoopers

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
29th Floor, K. Wah Centre
191 Java Road
North Point, Hong Kong

PRINCIPAL BANKERS*
Bank of China
China Construction Bank, Asia
DBS Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Oversea-Chinese Banking Corporation
Sumitomo Mitsui Banking Corporation

SOLICITORS*
Baker & McKenzie
King & Wood Mallesons
P.C. Woo & Co.
Wilkinson & Grist

PRINCIPAL SHARE REGISTRAR
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE ADDRESS
http://www.kwih.com

SHARE LISTING
The Stock Exchange of Hong Kong Limited
("HK Stock Exchange")

STOCK CODE

HK Stock Exchange	:	00173
Bloomberg	:	173 HK
Reuters	:	0173.HK

* *Listed in alphabetical order*

Five Years Summary

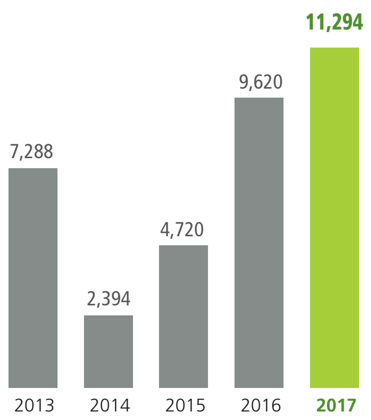
CONSOLIDATED PROFIT AND LOSS STATEMENT

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Revenue	7,288,415	2,393,967	4,720,487	9,619,956	**11,293,887**
Profit before tax	3,003,950	2,707,293	2,815,345	5,071,846	**6,735,327**
Taxation charge	(1,301,940)	(815,250)	(1,368,223)	(1,845,715)	**(2,218,052)**
Profit for the year	1,702,010	1,892,043	1,447,122	3,226,131	**4,517,275**
Non-controlling interests	(55,237)	(62,083)	(80,368)	(44,135)	**(611,093)**
Profit attributable to equity holders of the Company	1,646,773	1,829,960	1,366,754	3,181,996	**3,906,182**
Earnings per share (HK cents)	60.9	65.7	48.1	107.6	**128.2**
Dividend per share (HK cents)	15.0	15.0	17.0	18.0	**18.0**

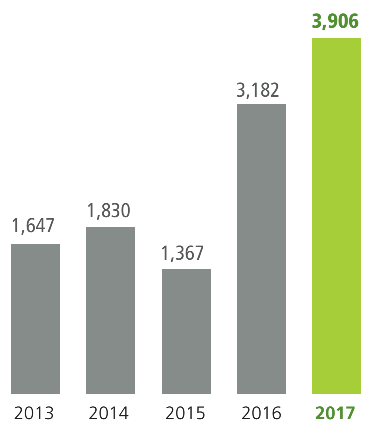
CONSOLIDATED BALANCE SHEET

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Non-current assets	5,798,339	8,735,721	8,446,513	8,831,175	**13,181,711**
Associated companies and joint ventures	4,550,280	3,452,498	1,347,748	2,255,043	**8,344,364**
Other non-current assets/investments	11,329,422	7,145,083	4,059,194	5,668,480	**10,772,942**
Net current assets	15,619,295	24,934,237	23,270,988	19,880,535	**24,532,041**
Employment of capital	37,297,336	44,267,539	37,124,443	36,635,233	**56,831,058**
Financed by:					
Share capital	271,215	278,715	283,959	295,674	**305,546**
Reserves	27,347,538	24,866,467	21,541,214	25,064,023	**34,697,102**
Shareholders' funds	27,618,753	25,145,182	21,825,173	25,359,697	**35,002,648**
Non-controlling interests	1,475,193	1,545,781	1,511,587	1,766,770	**2,014,039**
Long-term borrowings and guaranteed notes	6,978,267	15,947,623	12,124,823	7,932,834	**17,667,263**
Other non-current liabilities	1,225,123	1,628,953	1,662,860	1,575,932	**2,147,108**
Capital employed	37,297,336	44,267,539	37,124,443	36,635,233	**56,831,058**
Net assets value per share (HK$)	10.18	9.02	7.69	8.58	**11.46**

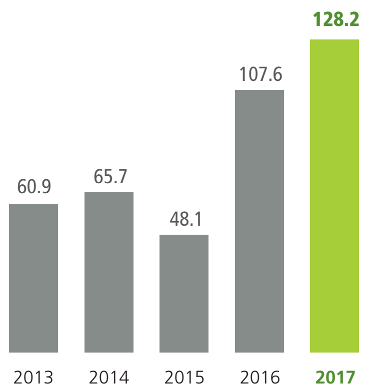
Revenue
(HK$ Million)



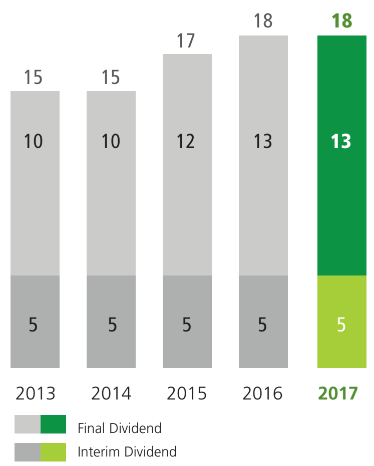
Profit Attributable to Equity Holders of the Company
(HK$ Million)



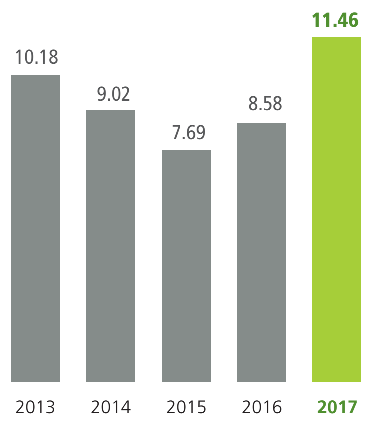
Earnings Per Share
(HK Cents)



Dividend Per Share
(HK Cents)



Net Assets Value Per Share
(HK$)



Statement from the Chairman

Dear Shareholders,

Thanks to its distinctive strategies and a commitment to excellence and quality, KWIH has maintained its run of business success following its sound performances of the past two years. Attributable contracted sales for 2017 reached HK$12.6 billion, exceeding the HK$10 billion benchmark for the third consecutive year, out of which, approximately HK$2.9 billion was recognised in the accounts for the year while the remaining of approximately HK$9.7 billion is expected to be recognised in 2018 and 2019, underpinning the Group's future profitability. The Group's attributable revenue for the year amounted to HK$11,737 million. Profit attributable to equity holders amounted to HK$3,906 million while the underlying profit amounted to HK$2,517 million.

The Board has recommended a final dividend of 13 HK cents per share. Together with the interim dividend of 5 HK cents per share, total dividend for the year amounted to 18 HK cents per share, continuing to provide shareholders with stable returns.

STRONG SALES FROM HONG KONG PROJECTS

The US Federal Reserve raised its benchmark interest rate three times between March and December 2017, while the Hong Kong Government and the Hong Kong Monetary Authority also announced new measures during the first half of the year in response to the property market which remained buoyant. These measures included the requirement, for the purchase of more than one residential property under a single instrument, to pay 15% ad valorem stamp duty in respect of each property. In addition, there were more stringent loan restrictions for borrowers who held more than one mortgaged property or whose income was derived mainly from outside Hong Kong. Nevertheless, given Hong Kong's sound economic fundamentals, the local banking system reported year-on-year growth (as of year-end of 2017) close to 9% in its aggregate balance of deposits. More than 18,000 primary sales of residential units were registered in 2017, an increase of 11% compared to the previous year, which was itself the highest in the past ten years. The property market remained animated, supported by the unyielding demand for residential housing. Following continuous improvements in the global economy, the Hong Kong Government announced annual GDP growth of 3.8% for 2017, higher than the average trend growth rate of 2.9% over the decade from 2007 to 2016. The Group is optimistic about the stable outlook of Hong Kong's property market.

KWIH reported strong sales from its premium projects in Hong Kong launched during the year. These included K. City in the Kai Tak Development Area and The Spectra along the MTR West Rail Line. K. City, in particular, with more than 95% of its units being sold since its launch in February 2017, generating sales revenue close to HK$9,000 million.

MAINLAND PROJECTS ON SCHEDULE

In Mainland China, the report to the 19th CPC National Congress called for a housing system encouraging both housing purchase and rental based on the principle that "housing is for living in, not for speculation". While reduction in the transaction volume for residential properties was noted in certain cities, transaction prices remained stable. The Group does not expect the prevailing regulatory measures to be relieved anytime soon, given the Central Government's aim to sustain the property market's stable development. Mainland China's economic development was sound and stable with 6.9% GDP growth for 2017, marking the first increment in growth rate since 2011. The Group is optimistic about the medium-to-long term prospects of the property market, as it believes housing demand will remain strong. Following the comparative advantages gained in penetrating Mainland China's market over the years, particularly in those cities where we claim strategic presence, the Group is well-positioned to address market challenges through adaptive implementation of its development strategy.

The Group reported satisfactory sales from a number of premium projects launched in Mainland China during the period under review. These included Grand Summit and The Palace, the two top-tier luxury residences in Shanghai, The Peak in Nanjing, J Metropolis and Le Palais in Guangzhou and Silver Cove in Dongguan.

CONTINUOUS EXPANSION OF RECURRENT INCOME PROPERTY PORTFOLIO

KWIH continued to expand its recurrent income property portfolio for enhancing its recurring rental income and cash flow. As of the end of 2017, the Group's recurring rental income (including hotel income) grew by 15% year-on-year to HK$570 million. In addition to J SENSES in Hong Kong which reported an occupancy rate of 100% as of 2017 year-end, Shanghai K. Wah Centre was over 95% leased on average for the year. Satisfactory occupancy rates were also registered for Stanford Residences Xu Hui and Stanford Residences Jin Qiao, the Group's two latest high-end serviced apartments opened last year in Shanghai under the prime "Stanford Residences" brand. As for commercial facilities, Palace Lane in The Palace was 95% leased last year-end for the portion opened while part of J Town in Silver Cove in Dongguan has been more than 80% leased since opening in November 2017.

Furthermore, construction of the Suhe Creek office project with a GFA of approximately 20,000 square metres in Jingan District, Shanghai, commenced in the first half of 2017.

ACQUIRING SIX PRIME RESIDENTIAL SITES TO FURTHER EXPAND BUSINESS PRESENCE

KWIH acquired six prime sites in Hong Kong and Mainland China in 2017 with a total attributable GFA of over 420,000 square metres, a further expansion of its business presence in Hong Kong, the Yangtze River Delta and Pearl River Delta regions. Last May and November respectively, in Hong Kong, the Group won the bid for West Rail Kam Sheung Road Station Package One Property Development project and a harbourfront residential site in Cheung Sha Wan, Kowloon, both in joint venture with its business partners. In January, in the Yangtze River Delta region, the Group participated in Royal Creek, a joint venture project in Pukou District, Nanjing. In November, the Group debuted in Suzhou as it successfully bid for a residential site in the Suzhou National Hi-Tech District. In the Pearl River Delta region, the Group acquired two adjacent sites in Jianghai District, Jiangmen, in August and October respectively, a timely move to capitalise on investment opportunities presented by the initiative of the Guangdong-Hong Kong-Macao Bay Area.

Statement from the Chairman

ROBUST FINANCIALS TO UNDERPIN STABLE DEVELOPMENT

KWIH has maintained a sound financial position. As of 31 December 2017, the Group's cash and bank deposits amounted to HK$5,849 million and gearing ratio was 34%. Meanwhile, the Group continued to enjoy low borrowing cost at an average interest rate of 2%, down 0.7 percentage points year-on-year. Moreover, in January 2018, the Group closed a HK$7,000 million 5-year revolving credit and term loan facility with 11 banks. The facility will enable the Group to save its interest costs and further extend the overall maturity profile of its loan portfolio while raising the Group's available credit facilities and thus enhancing its financial flexibility and funding capabilities.

OUTLOOK

Going into 2018, global liquidity will continue to be subject to the pace of interest rate hikes, the ongoing shrinking balance sheet in the US and movements in the US Dollar, while the liquidity flow will in turn affect the development of various economies. KWIH will closely monitor global political and economic developments to address any challenges, as well as to seize any opportunities through ongoing implementation of its prudent yet progressive strategy.

Thanks to clearly-defined project planning, the Group has been able to continuously shorten the development cycle for its property projects. In the meantime, we are replenishing land reserves in Hong Kong, the Yangtze River Delta and Pearl River Delta regions in a prudent and progressive manner to drive our long-term business development. In addition, another key strategic initiative will see us seek to expand our recurrent income property portfolio to increase our recurring income and provide stable cash flow.

Thanks to the diligent efforts and wise counsel of our management team, as well as the hard work and dedication of our employees, KWIH has been able to achieve excellent, robust results for the year. On behalf of my fellow Board Directors, I would like to express my sincere gratitude to management and staff. Through their joint efforts, we look forward to increased endeavours in delivering greater value to shareholders and reaching our next milestone of success.

Dr Lui Che-woo
Chairman

20 March 2018

K. CITY
HONG KONG

THE SPECTRA
HONG KONG

Management Discussion and Analysis

REVIEW OF OPERATIONS

Operating Results

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2017 amounted to approximately HK$12.6 billion, mainly derived from K. City, The Spectra and other joint venture projects in Hong Kong, Grand Summit in Shanghai, The Peak and Royal Creek in Nanjing and J Metropolis in Guangzhou. Approximately HK$2.9 billion of the above attributable contracted sales of the Group was accounted for in the year ended 31 December 2017. The remaining approximately HK$9.7 billion is expected to be accounted for in 2018 and 2019.

The revenue of the Group for the year ended 31 December 2017 was HK$11,294 million, primarily derived from the property sales of The Spectra in Hong Kong, the second phase of The Palace and Grand Summit in Shanghai, J Metropolis and Le Palais in Guangzhou, and Silver Cove in Dongguan, as well as the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK$443 million) was HK$11,737 million for the year ended 31 December 2017.

Profit attributable to equity holders of the Group was HK$3,906 million, while underlying profit of the Group (before fair value gain of investment properties) was HK$2,517 million for the year ended 31 December 2017.

The total comprehensive income attributable to equity holders of the Company substantially increased to HK$9,742 million for the year ended 31 December 2017 after accounting for the increase in fair value on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets at year end.

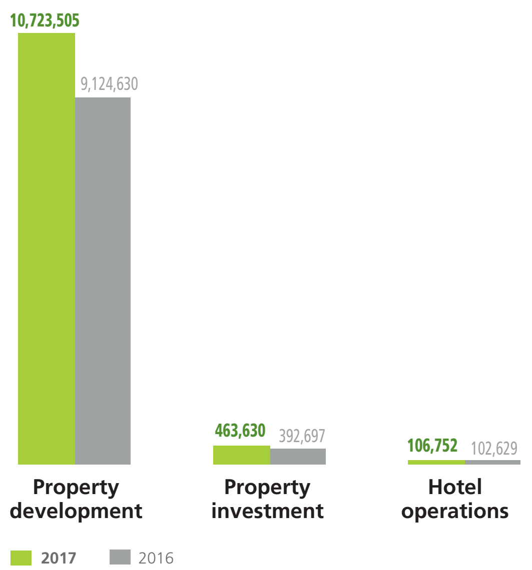
PROPERTY DEVELOPMENT AND INVESTMENT IN HONG KONG

Despite the increase in ad valorem stamp duty to 15%, except for first-time buyers, from late 2016 and further restrictive measures introduced in mid-year by the government and Hong Kong Monetary Authority, the property market during the year remained buoyant, as reflected both in the transaction prices and volume which soared to new highs, as supported by the satisfactory economic growth and low interest rate environment. Developers continued to be proactive in land market while taking advantage of the positive sentiment to speed up their sales. The active land market in turn together with the strong stock market helped boost buyers' confidence and purchasing power.

	Property development			Property investment	Others	Total
	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	HK$'000	HK$'000	HK$'000
2017						
Revenue	**5,399,461**	**5,324,044**	**—**	**463,630**	**106,752**	**11,293,887**
Adjusted EBITDA	**1,902,210**	**3,134,452**	**(3,101)**	**370,691**	**(205,825)**	**5,198,427**
Total assets	**27,211,662**	**21,295,746**	**149,506**	**12,911,490**	**10,938,315**	**72,506,719**
2016						
Revenue	3,266,978	5,857,652	—	392,697	102,629	9,619,956
Adjusted EBITDA	895,050	3,086,042	(3,199)	346,765	(192,286)	4,132,372
Total assets	15,180,940	20,293,476	304,798	8,510,669	6,182,735	50,472,618

Revenue by Division

For the year ended 31 December 2017
(HK$'000)

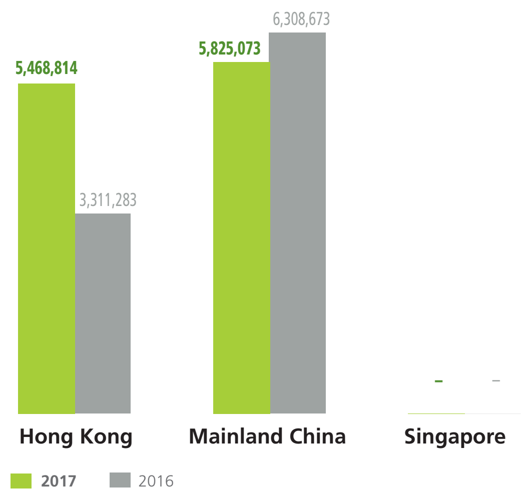


Total Assets by Division

As at 31 December 2017
(HK$'000)

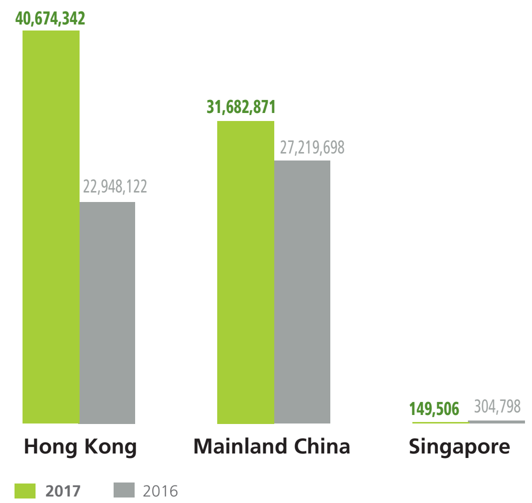
Revenue by Geographical Area

For the year ended 31 December 2017
(HK$'000)



Total Assets by Geographical Area

As at 31 December 2017
(HK$'000)



Management Discussion and Analysis

K. City was launched in February 2017 and received an overwhelming market response. Over 95% of its units had been sold as of year-end. In addition, the Group continued to market the remaining units of its joint venture projects, namely: The Spectra, Marinella, Corinthia by the Sea, Mayfair by the Sea I, Providence Bay and Providence Peak. Occupation permit for The Spectra was obtained in August and consequently, the results for the pre-sold units of the project were recognised in 2017.

During the year, the Group together with other property developers successfully acquired two pieces of land at Kam Sheung Road Station and Cheung Sha Wan with a land premium of HK$8,330 million and HK$17,288 million respectively. The Group's interests in these two pieces of land are 33⅓% and 22.5% respectively.

The Group's leasing performance continued to be satisfactory during the year. Our premium dining and shopping arcade J SENSES in Wan Chai was fully leased as of the year end with satisfactory rental income. Commercial complex of Twin Peaks was open in the year. On the other hand, the remaining apartments of Chantilly were transferred to investment properties in pursuance with the Group's strategy to increase recurring income.

(A) Current Major Development Properties

The Spectra, Yuen Long (60% owned)

This premium residential development has been undertaken together with another property developer. The total GFA is approximately 49,000 square metres comprising 912 units. Pre-sales began in March 2016 and over 95% of the residential units have been sold. The occupation permit was issued in August 2017.

K.City, Kai Tak (100% owned)

This premium residential development is located in the heart of the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link. The development offers 900 units with a total GFA of approximately 51,000 square metres. Pre-sales began in February 2017 with an overwhelming market response and over 95% of the residential units have been sold. Superstructure works are underway and the project is expected to be completed in 2018.

The Spectra, Hong Kong

Solaria, Tai Po (100% owned)

This premium residential development with a total GFA of approximately 61,600 square metres, is located in close proximity to our joint venture projects of Providence Bay, Providence Peak and Mayfair By The Sea I. The district is a fast maturing community with good potential. Superstructure works are in progress as scheduled with expected completion in 2019. The project is expected to be launched in the first half of 2018, subject to the pre-sale consent.

New Kowloon Inland Lot No. 6566, Kai Tak Area 1K Site 2 (100% owned)

This site was acquired in late 2016 with a total GFA of approximately 53,000 square metres and is located in the heart of the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link and will be developed into a premium residential project. Foundation works are in progress as scheduled with targeted completion by 2021.

Twin Peaks, Tseung Kwan O (100% owned)

This project is a premium residential development comprised of 372 units with a total GFA of approximately 28,000 square metres. The occupation permit was issued in June 2016 and all remaining residential units were sold in 2017.

Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

This luxury residential project has a total GFA of approximately 8,100 square metres. The complex is comprised of 24 luxury apartments. The project is complete, and approximately 40% of the residential units have been sold. The remaining apartments were all transferred to investment properties by 2017 in pursuance of the Group's strategy to increase recurring income.

Corinthia By The Sea, Tseung Kwan O (40% owned)

This is a premium residential complex partnered with another property developer. The development offers 536 units with a total GFA of approximately 45,000 square metres. The occupation permit was issued in June 2016 and all remaining residential units were sold in 2017.

K. City, Hong Kong

Management Discussion and Analysis

Mayfair By The Sea I, Tai Po (15% owned)

This luxury residential development offers 546 units with a total GFA of approximately 67,000 square metres, was undertaken in association with another property developer. The development is complete, and all remaining residential units were sold in 2017.

Marinella, Aberdeen (35% owned)

Marinella is a luxury residential development with a total GFA of approximately 69,300 square metres and offers 411 units. The development is complete, and only one penthouse and three houses remain available for sale as of year end.

Providence Bay, Tai Po (15% owned)

This luxury residential development, which has a total GFA of approximately 78,400 square metres and offers 482 units, was undertaken in collaboration with other property developers. The development is complete, and only a few residential units remain available for sale as of year end.

Providence Peak, Tai Po (25% owned)

This luxury residential complex was developed in cooperation with other property developers. With a total GFA of approximately 83,600 square metres and 548 units, the development is complete, and only a house remains available for sale as of year end.

2 Grampian Road, Kowloon (100% owned)

The Group plans to develop this project into a luxury low-rise residential development with a total GFA of approximately 2,000 square metres. Construction is expected to commence in 2018 upon obtaining the relevant government approval with expected completion by 2020.

30 Po Shan Road, Mid-Levels, Hong Kong (50% owned)

This is a luxury residential development undertaken in cooperation with another property developer, with a total GFA of approximately 3,700 square metres. This project is under planning stage.

HONG KONG

1. The Spectra
2. K. City
3. Solaria
4. Kai Tak Area 1K Site 2
5. Marinella
6. Providence Bay
7. Providence Peak
8. 2 Grampian Road
9. 30 Po Shan Road
10. Kam Sheung Road Station Package One Property Development
11. New Kowloon Inland Lot No. 6549, Cheung Sha Wan
12. J SENSES
13. Chantilly
14. Commercial Complex at Twin Peaks

Lot No. 1040 in D.D. No. 103, Kam Sheung Road Station Package One Property Development, Yuen Long ($33\frac{1}{3}$% owned)

This newly acquired site, with a total GFA of approximately 114,800 square metres is next to the West Rail Kam Sheung Road Station connecting to other parts of the city and with convenient access to Mainland China. The site will be developed into a premium residential project in cooperation with other property developers. This project is under planning stage.

New Kowloon Inland Lot No. 6549, Cheung Sha Wan (22.5% owned)

This newly acquired site, with a total GFA of approximately 91,800 square metres, is situated at a coveted urban waterfront location enjoying panoramic harbor views and is within walking distance to nearby MTR station linking to other parts of the city. The site will be developed into a premium residential project in cooperation with other property developers. This project is under planning stage.

(B) Investment properties

J SENSES at J Residence, Johnston Road, Wan Chai (100% owned)

With a total GFA of approximately 3,400 square metres, J SENSES is a premium dining and shopping arcade located in the heart of Hong Kong Island. It was fully leased as at year end and continues to deliver recurring cash flow to the Group.

Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

Total GFA of approximately 5,100 square metres were held for long term investment. These units have been put into the market for rental and the response was encouraging. Approximately 80% of the available units were leased as of year end.

Commercial Complex at Twin Peaks (100% owned)

With a total GFA of approximately 3,500 square metres, the complex serves the residents of Twin Peaks and the nearby population with their daily necessities. Approximately 90% of the available units were leased as of year end.

Marinella, Hong Kong

(*Top*) Chantilly, Hong Kong
(*Bottom*) J SENSES, Hong Kong

AZURE
SHANGHAI

SILVER
COVE
DONGGUAN

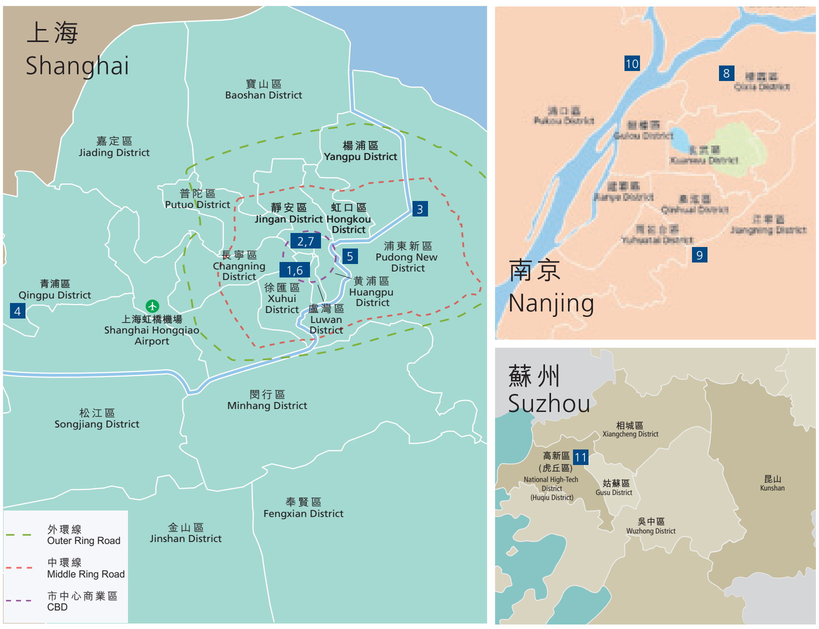
PROPERTY DEVELOPMENT AND INVESTMENT IN MAINLAND CHINA

Property transactions in Tier 1 and 2 cities of Mainland China during 2017 remained at relatively low level as the government continued its stringent cooling measures by imposing various restrictive measures and tighter credit policies. In addition, the government reiterated that "Housing is for living in, not for speculation" and has been proactively promoting a leasing market for affordable rental properties. Nevertheless, while transaction volumes dropped in Tier 1 and 2 cities, property price still grew on a year-on-year basis with strong demand from end-users, supported by a more stable and sustainable economy. On the other hand, transaction volume and home prices in some lower-tier cities continue to rise considerably due to strong demand and less restrictive policies.

During the year, the Group launched the pre-sales of Silver Cove Phase III in Dongguan and continued to market the remaining units of Grand Summit and The Palace Phase I and II in Shanghai, J Metropolis and J Wings in Guangzhou, Silver Cove in Dongguan and The Peak in Nanjing, with good responses. With the staged completion of the second phase of The Palace and J Metropolis Phase III, the results of the pre-sold units of the two projects were recognised in 2017.

In January, the Group participated in a joint venture with two other property developers acquiring a new site in Nanjing for a land premium of RMB1,020 million, to be developed into residential properties. Pre-sale of this project named Royal Creek was launched during the year. The Group acquired three more pieces of land during the second half of the year. Two of them locate in Jiangmen for a total land premium of RMB1,921 million and the other is in Suzhou for a land premium of RMB885.7 million, all to be developed into residential projects with commercial facilities.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of average 95% during the year. In addition, two towers of the second phase of The Palace, certain units of Grand Summit and of Azure, and Palace Lane in Shanghai, and J Town in Dongguan were transferred to investment properties during the year for rental.



SHANGHAI

1 The Palace, Stanford Residences Xu Hui & Palace Lane
2 Grand Summit & Stanford Residences Jing An
3 Azure & Stanford Residences Jin Qiao
4 Windermere
5 Weifang Village Street project
6 Shanghai K. Wah Centre
7 Office project, Suhe Creek, Jingan District

NANJING

8 The Peak
9 Site G89, Jiangning District
10 Royal Creek

SUZHOU

11 Lot 42, National Hi-Tech District

Management Discussion and Analysis

(A) Current Major Development Properties

Shanghai, Nanjing and Suzhou

The Palace, Jianguoxi Road, Xuhui District, Shanghai (100% owned)

This unique luxury development is located in an affluent, traditionally residential area of Shanghai. The total GFA of this project is approximately 140,000 square metres, featuring 14 blocks of luxury residential buildings and upscale commercial facilities. The first phase of the project with five towers, covering approximately 33,000 square metres GFA is completed, and over 95% of the units have been sold. Of the seven towers of the second phase of the project, three towers, completed in 2017, covering approximately 30,000 square metres GFA were first launched to the market for sale in May 2015 and about 90% of which have been sold. The remaining four towers of this phase of approximately 26,000 square metres will be operated as serviced apartments and two of them, completed in 2017 were successfully launched to the market for leasing in 2017, under "Stanford Residences Xu Hui". The development of the remaining two towers to be operated as serviced apartments and the third phase of the project comprising two towers of approximately 43,000 square metres, are expected to be completed in 2018.

Grand Summit, Xinzha Road, Jingan District, Shanghai (100% owned)

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this exclusive luxury residential project has a total GFA of approximately 100,000 square metres offering 273 residential units for sale and 113 units held as serviced apartments under "Stanford Residences Jing An". The project is complete

The Palace III, Shanghai

Weifang Village Street Project, Shanghai and an additional block of 16 units originally for sale were transferred to investment property to be operated under "Stanford Residences Jing An" during the year for rental and to capture their longer term capital appreciation in value. All the other standard residential units have been sold out with only four penthouses are available for sale.

The Peak, Xingxian Road, Qixia District, Nanjing (100% owned)

This project is located in a well-developed community with a wide range of facilities. Due to its elevated position, it enjoys panoramic views. It has a total GFA of approximately 132,000 square metres and is being developed into an integrated residential and commercial complex offering 1,167 residential units to the market. Pre-sales began in September 2016 with a good market response. Superstructure works are underway, and construction is expected to be completed in 2018.

Azure, Jingye Road, Pudong New District, Shanghai (100% owned)

This project, completed in 2017, is a premium residential development comprised of 232 units with a total GFA of approximately 29,000 square metres. 102 units with a total GFA of approximately 13,000 square metres are retained as serviced apartments and were transferred to investment properties in 2017, under "Stanford Residences Jin Qiao". It is within a well-developed residential area that offers good transportation links to the Pudong CBD. Other than the units to be operated as serviced apartments, sales of this project are planned to commence in 2018 subject to market condition.

Windermere, Qingpu District, Shanghai (100% owned)

Located in Zhujiajiao Town in Qingpu District, the development is comprised of low-rise residential buildings with ancillary commercial facilities offering 256 units and a total GFA of approximately 71,000 square metres. The project is complete and is expected to be launched to the market in 2018 while Shanghai Metro Line no. 17 connecting Qingpu commenced operation in late 2017.

Windermere, Shanghai

(*Top*) The Peak, Nanjing
(*Bottom*) Site G89, Jiangning District, Nanjing

Management Discussion and Analysis

Site 7–7, Unit E18, Weifang Village Street, Pudong District, Shanghai (100% owned)

This project is located by the Huangpu River in Pudong, with a total GFA of approximately 14,200 square metres. It is situated in a prime location between the Lujiazui Financial Centre and the convention, exhibition and business zone of the World Expo headquarters. Government approval for the project's master layout plan was obtained in early 2018 and its construction will commence upon obtaining the relevant government approvals.

Site G89, Jiangning District, Nanjing (100% owned)

This project is located in Jiangning District, close to several railway and transportation networks and within 1 kilometre of the Nanjing South Railway Station. It has a total GFA of approximately 49,700 square metres and will be developed into residential buildings with ancillary commercial facilities. Government approval for the project's master layout plan was obtained and its construction will be commenced upon obtaining the relevant government approvals.

Royal Creek, Pukou District, Nanjing (33% owned)

The Group participated in a joint venture with two property developers in January 2017 to develop this site located in Pukou District, lying northwest across the Yangtze River from downtown Nanjing, with a total GFA of approximately 98,500 square metres, into residential buildings. The first batch of pre-sales of 376 units began in November 2017 with an encouraging market response. Superstructure works are in progress with expected completion in 2019.

Lot 42 in National Hi-Tech District, Suzhou (100% owned)

This newly acquired site, located in Suzhou National Hi-Tech District, is next to Suzhou Xinqu Railway Station of the Shanghai-Nanjing Intercity High-speed Railway, and Suzhou Rail Transit Line 3 (under construction and scheduled to be completed in 2019). It has a total GFA of approximately 59,000 square metres and will be developed into residential buildings with commercial facilities. Planning and design work is underway.

GUANGZHOU

1. Huadu Jiahua Plaza
(Phase 1: Crowne Plaza Guangzhou Huadu and office)
(Phase 2: J Wings)
(Phase 3&4: K. WAH Plaza)
2. Le Palais
3. Huadu Integrated Project
(J Metropolis & Xinhuazhen West Site)

DONGGUAN

4. Silver Cove & J Town

JIANGMEN

5. Jianghai Site No. 02, Jianghai District
6. Jianghai Site No. 12, Jianghai District

Guangzhou, Dongguan and Jiangmen

Huadu Jiahua Plaza, Yingbin Road, Huadu District, Guangzhou (100% owned)

This site is close to the New Baiyun International Airport and has a total GFA of approximately 231,000 square metres. The project is a composite development with hotel, office space and premium residential towers and apartments. The first phase of the project is complete and includes a hotel with a GFA of approximately 32,000 square metres and an office tower with a GFA of approximately 13,000 square metres. The second phase, J Wings, has a GFA of approximately 100,000 square metres of residences which was completed in 2015. The third phase with a GFA of approximately 60,000 square metres and the fourth phase with a GFA of approximately 26,000 square metres consist of SOHO offices, office premises, hotel and retail facilities. Both phases are under construction with completion expected in 2019.

Le Palais, Jianshebei Road, Huadu District, Guangzhou (100% owned)

Located in the downtown area of Huadu, this residential development covers a total GFA of approximately 46,000 square metres and is about a 20-minute drive from the New Baiyun International Airport. The project is complete and approximately 95% of the residential units were sold as of year end.

Huadu Integrated Project, Xinhuazhen, Huadu District, Guangzhou (99% owned)

The project is only one step away from Baiyun District and poised to benefit from the build up of new transportation network. The total GFA of this project is approximately 805,000 square metres with development to be undertaken in phases in the East and West Sites.

Huadu Jiahua Plaza, Guangzhou

Management Discussion and Analysis

J Metropolis Phases I to IV, Xinhuazhen East

The first and second phases have a total GFA of approximately 152,000 square metres offering 1,164 residential units in total. The development is complete, and almost all of the units have been sold. Pre-sale of the third phase covering approximately 40,000 square metres, offers 337 residential units, started in 2015. Over 95% of the units have been sold and the development was completed in 2017. The development of the fourth phase, covering approximately 34,000 square metres and offering 348 residential units was also completed in 2017. Sales of which is expected to be launched in 2018.

Xinhuazhen West Site

The site has a GFA of approximately 579,000 square metres and will be developed in phases. The first phase comprises of a GFA of approximately 187,000 square metres for residential units and a commercial complex. Construction will be commenced upon the relevant government approvals are granted.

Silver Cove Phases I,II & III, Shilong Town, Dongguan (100% owned)

Located in the Xihu Village of Shilong Town, Phases I & II of the project offers 1,547 residential units with a total GFA of approximately 202,000 square metres, including a commercial portion with a GFA of approximately 9,600 square metres. It enjoys an expansive river frontage and is within walking distance of the new Dongguan station. The development of these two phases is complete, and nearly 90% of the residential units have been sold. Phase III of the project has a total GFA of approximately 34,000 square metres, including a commercial portion with a GFA of approximately 2,000 square metres. The first batch of 98 residential units went on market in late 2017 with favourable market response and further units will be launched in 2018. This phase is expected to be completed in 2018.

J Metropolis, Guangzhou

Jianghai Site No. 02, Jianghai District, Jiangmen (100% owned)

In August 2017, a residential development site was acquired through government tendering and it is located in Jianghai District, adjacent to a site acquired later (Jianghai Site No. 12). It has a total GFA of approximately 133,700 square metres and will be developed into residences with commercial and retail components. This project is under planning stage.

Jianghai Site No. 12, Jianghai District, Jiangmen (100% owned)

In October 2017, another residential site located in Jianghai District, adjacent to Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Rail Transit was acquired through government tendering. It has a total GFA of approximately 144,900 square metres and will be developed into residences with commercial and retail components. This project is under planning stage.

(B) Investment Properties

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (69.6% effective interest)

This prime investment property with a total GFA of approximately 72,000 square metres continued to achieve an average 95% occupancy throughout 2017 with the average rental rate moderately increased upon renewals of existing tenancies and executing tenancies with new tenants, achieving a satisfactory rental income for the Group.

Stanford Residences

The Group is dedicated to creating a privileged lifestyle residential environment for tenants in pursuit of high-end modern living. "Stanford Residences" offers everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings.

Shanghai K. Wah Centre

(*Top*) Crowne Plaza Hotel Guangzhou Huadu
(*Bottom*) J Town, Dongguan

Management Discussion and Analysis

Stanford Residences Jing An, Shanghai (100% owned)

The Stanford Residences Jing An, its first serviced apartment project in Shanghai, is located within the Group's luxury residential project, Grand Summit. With a total GFA of approximately 32,000 square metres, The Stanford Residences Jing An offers a total of 129 units, mainly in 3-bedroom configurations, as well as duplexes and penthouses.

Stanford Residences Xu Hui, Shanghai (100% owned)

The Stanford Residences Xu Hui, its second serviced apartment project in Shanghai newly opened, is located within the second phase of the Group's luxury residential project, The Palace. With a total GFA of approximately 26,000 square metres, The Stanford Residences Xu Hui offers a total of 119 units, mainly in 3-bedroom configurations, as well as garden units and penthouses.

Stanford Residences Jin Qiao, Shanghai (100% owned)

The Stanford Residences Jin Qiao, its third serviced apartment project in Shanghai recently launched, is located within its premium residential development, Azure. With a total GFA of approximately 13,000 square metres, The Stanford Residences Jin Qiao offers a total of 102 units, mainly in 2&3-bedroom configurations.

Palace Lane, Shanghai (100% owned)

To serve its prestige residents at The Palace and the high end retail market in Xuhui, Palace Lane, with a total GFA of approximately 8,000 square metres. Out of the GFA of approximately 3,000 square metres ready for rental, over 95% was leased as of 2017 year end. Palace Lane is expected to be fully completed and operational in 2018.

Palace Lane, Shanghai

J Town, Dongguan (100% owned)

Aiming to create a fun and exciting lifestyle experience for visitors, J Town, a commercial complex situated within Silver Cove, has a total GFA of approximately 11,600 square metres. It provides daily conveniences to our residents, as well as being a popular destination for the surrounding neighbourhood, offering a wide variety of entertainment, leisure and food and beverage experiences to consumers. Portion of approximately 9,600 square metres was opened in the last quarter of 2017, and since then has enjoyed high patronage and very positive market feedback, and about 80% leased as of year end.

Office project, Suhe Creek, Jingan District, Shanghai (53.61% owned)

Development of this site located by the Suhe Creek in Jingan District with a total GFA of approximately 20,000 square metres into an office building, with some areas for cultural and commercial activities, was resumed in the last quarter of 2016 after it was being cleared from the construction of metro lines numbered 8 and 12. Government approval for the project's master layout plan was granted in mid-2017 and construction has been commenced with expected completion in 2020.

Investment in GEG

The Group maintains a non-current investment of 162 million shares, or an approximate 3.8% interest, in GEG carried at fair market value. As of 31 December 2017, the share price of GEG was HK$62.7 compared with HK$33.8 as of 31 December 2016. The change in fair value of approximately HK$4,696 million was directly recorded as an increase in reserve.

OUTLOOK AND STRATEGY

Global and Asian economies

During the year, Emmanuel Macron, a pro-European Union ("EU") centrist, being elected French President while Germany chancellor, Angela Merkel, being re-elected helped to ease market concerns over the possible breakup of the EU and EU countries' economy grew steadily. British Prime

Office project, Suhe Creek, Jingan District, Shanghai

(*Top*) Stanford Residences Jing An, Shanghai
(*Bottom*) Stanford Residences Xu Hui, Shanghai

Management Discussion and Analysis

Minister Theresa May also managed to stay in office and continues to head the negotiations on Brexit with the EU. In the US, while the government headed by President Donald Trump pushed ahead his tax-cut plan, the US Federal Reserve raised the federal fund rate three times in 2017, each by 0.25%, within market expectations.

The near-term impact of US interest rate hikes on Mainland China and Hong Kong looks limited, while the RMB became stronger on stable Chinese economic growth and slowing capital outflow. The RMB appreciated by over 6% against the USD in 2017 and remained strong in early 2018.

US GDP grew 2.3% in 2017 compared to 1.5% for 2016 while the US Federal Reserve expects a growth of 2.5% in 2018. China's GDP grew 6.9% in 2017, exceeding the government target of 6.5% with the target remaining at 6.5% for 2018. In Hong Kong, GDP grew 3.8% in 2017, within the high end of the government's full year revised forecast of 3–4%. Similar GDP growth rates between 3–4% was also forecasted for 2018.

The property market in Hong Kong and Mainland China

The Hong Kong Government projected that approximately 100,000 residential units will be made available to the market in the next 4 to 5 years, reaching a new high. However, with the abundant liquidity, low interest rate environment and a genuinely strong underlying demand, the residential market has been on the rising trend since March 2016 and remains strong despite the tightening measures by the Hong Kong Government on stamp duties and loan-to-value ratios by Hong Kong Monetary Authority in May 2017. Property price reached record high recently while the market remained active. There were about 18,600 primary transactions registered with the total amount of HK$240.5 billion for the year comparing with the total for 2016 of HK$186.6 billion. With the strong fundamentals, property market is not expected to see significant adjustments in the near term.

On the other hand, it is not expected that restrictive measures in Mainland China will be relieved soon. Transaction volumes, particularly for Tier 1 and 2 cities, will remain relatively low while home prices will remain stable, supported by the genuine underlying demand suppressed by these measures. The situation is not expected to turn around soon, but we remain conservatively optimistic on the Mainland China property market in the medium and longer term, particularly in those cities where we have operations.

Project sales and progress

In Hong Kong, construction works for K. City progressed as scheduled while the Group will continue to market the project's remaining units. Pre-sales of which are expected to be recognised as revenue in 2018 upon completion. Construction for Solaria in Tai Po also progressed as scheduled which is expected to be launched to the market once the pre-sale consent to be granted in the first half of 2018.

With more than 95% of the units sold up to year end, pre-sales for The Spectra has been accounted for in the year following the issuance of the occupation permit in August 2017. The Group will continue to market the remaining units in 2018.

In Mainland China, the Group will continue to market new batches of units at The Peak in Nanjing while its construction has progressed as scheduled and is expected to be completed in 2018. Further units of Royal Creek, a 33% owned new project in Nanjing, along with its wholly-owned Silver Cove Phase III in Dongguan, expected to be completed by 2018, will be launched for sale. The Group will continue to market its remaining units in various projects in Shanghai, Guangzhou and Dongguan. The Group also plans to launch Windermere in Shanghai, J Metropolis Phase IV in Guangzhou in 2018 and the third phase of The Palace and Azure, subject to market conditions.

Land bank replenishment

While the Group secured six new land parcels in the year in Hong Kong and Mainland China, it will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities, taking advantage of the softening land market in some cities in Mainland China.

Recurring income

In Shanghai, following the staged completion of the second phase of The Palace and the completion of Azure in the year, two towers of approximately 15,000 square metres and three towers of approximately 13,000 square meres were converted into serviced apartments under "Stanford Residences Xu Hui" and "Stanford Residences Jin Qiao" respectively and Palace Lane, the commercial portion of The Palace, with a GFA of approximately 8,000 square metres was also partially opened. Certain units of Grand Summit were also retained for lease. J-Town, the commercial portion in Silver Cove, Dongguan, with approximately 9,600 square metres was opened in the last quarter of 2017 with the rest in 2018. The Group also newly set up the new Commercial Development and Planning Department to promote and run its commercial facilities in our residential projects in Mainland China. In Hong Kong, the remaining apartments of Chantilly and the commercial complex at Twin Peaks were transferred to investment properties for rental. As a result, the Group's investment property portfolio was enlarged from approximately 130,000 square metres on 31 December 2016 to approximately 190,000 square metres as of year end. With more serviced apartments in Shanghai planned in the first half of 2018, as well as the office and commercial portions of our projects under development to be held for rental, we are on track to enlarge our portfolio for recurring income.

Dividend derived from our approximately 3.8% interest in GEG remains a source of our recurring income.

Conclusion

Major developed countries, Mainland China and Hong Kong generally performed well in 2017 while their economies are expected to continue to grow steadily despite the challenges ahead: populism and potential trade conflicts, geopolitical risks in Northern Asia and Middle East, volatile global stock markets, unexpected interest rate hikes, further restrictive property measures/policies by the Chinese and Hong Kong governments, etc. While there are more concerns over interest rate hikes to come following the announcement in the US of its year-on-year increase of hourly labour rate by 2.9% in January 2018, quick catching up of US interest rate hikes by Hong Kong is not expected although interest rate in Hong Kong is expected to be trending upwards in 2018 at a moderate pace which however will not adversely affect the property market in Hong Kong with the prevailing high liquidity and strong demand in the market.

The risk of administrative policies by the government will remain the major factor in suppressing property transactions in Mainland China while its economy is expected to continue to outperform developed countries, providing strong support for the RMB which is forecasted to remain stable or stronger while it might be traded in a wider range in 2018. We nevertheless prudently believe the Mainland China property market will grow more healthily in the longer term following the consolidation arising from the implementation of the latest restrictive measures.

The Group will continue to develop our existing projects and to launch projects in our pipeline according to schedules, as well as to further to replenish our land bank in a disciplined manner. The Group remains well positioned to capture any opportunities in the market.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained healthy throughout the year. As of 31 December 2017, total funds employed (being total equity and total borrowings and guaranteed notes) was HK$55 billion (2016: HK$38 billion). The number of issued shares of the Company increased to 3,055,461,052 as of 31 December 2017 (2016: 2,956,748,603) as a result of the issuance of scrip dividends and exercise of share options during the year.

Management Discussion and Analysis

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short-to-medium-term basis, and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2017, the Group's borrowings of bank loans and guaranteed notes were HK$18,479 million with a maturity profile spread over a period of up to five years, with 4% repayable within one year and the remaining 96% repayable after one to five years. The average interest rate for the Group during the review year was approximately 2.0%.

As of 31 December 2017, the Group had available undrawn banking facilities totaling HK$1,140 million comprising HK$799 million for working capital and HK$341 million for project facility purposes.

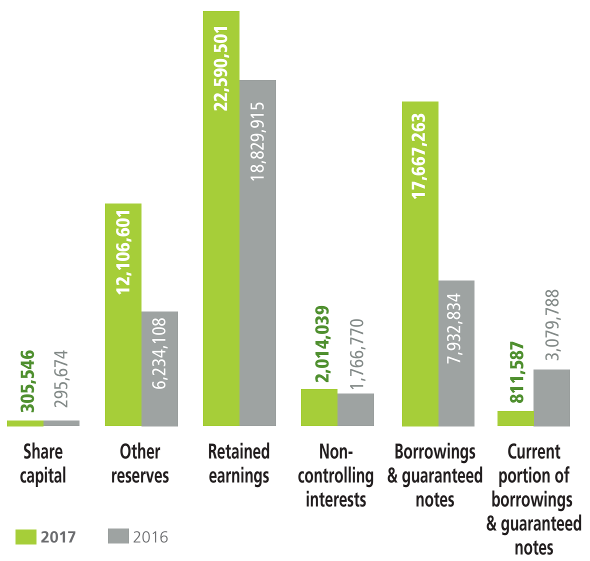
As of 31 December 2017, cash and bank deposits stood at HK$5,849 million, and approximately 51% was held in Renminbi.

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, stayed at 34% as of 31 December 2017 (2016: 14%).

Sources of Funding

As at 31 December 2017

(HK$'000)



Two 5-year revolving credit and term loan facilities of HK$8 billion and HK$7 billion were executed in January 2017 and 2018 respectively for refinancing at lower cost and additional funding source to enhance the Group's liquidity.

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to avoid the impact of any undue interest rate fluctuations on the Group's operations.

Of the Group's bank loans and guaranteed notes of HK$18,479 million as of 31 December 2017, approximately 98% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 90% of such borrowings and notes were on a floating rate basis, with the remainder on a fixed rate basis after hedging.

Charges on Group Assets

As of 31 December 2017, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK$5,338 million (2016: HK$12,284 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2017, the Company has executed guarantees in favour of banks and financial institutions, in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK$17,779 million (2016: HK$18,513 million) and HK$1,460 million (2016: HK$117 million) respectively. Of these, facilities totalling HK$16,990 million (2016: HK$7,517 million) and HK$1,323 million (2016: HK$117 million) respectively have been utilised.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK$1,241 million (2016: HK$1,473 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the Hong Kong Government with respect to the performance obligation of an investee company under a contract on a quarry site with the Hong Kong Government. On 31 July 2017, the works under the contract was completed and the quarry site of the contract was returned to the Hong Kong Government.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2017, the Group, excluding its associated companies and joint ventures, employs 900 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK$373 million for the year under review.

The Group believes its long-term growth and success depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate talents. With result-driven incentive programmes which are built upon our established performance management framework, the Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group had prepared a report for 2017 in compliance with Appendix 27 to the Rules Governing the Listing of Securities ("Listing Rules") of The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") on "Environmental, Social and Governance Reporting Guide". Highlights of the Group's environmental, social and governance policies and performance were presented in this discussion.

As a responsible property developer in Hong Kong and Mainland China, the Group strives to operate in a manner that promotes resource conservation and minimises the impact on the environment. The Company observes industry best practice in the construction of green buildings and incorporates sustainability considerations into the design, planning and construction phases of a project. In 2017, The Spectra complied with Building Environmental Assessment Method ("BEAM") Plus credit requirements, a set of voluntary green building standards, and was awarded with the Provisional Gold Rating of the assessment under the BEAM Plus New Buildings V1.1 of the Hong Kong Green Building Council. Environmental stewardship is embedded in the building design of our Mainland China projects with sustainable features such as efficient lighting and water preservation systems are installed. Dedicated to creating a sustainable future, we continue to pursue green building standards such as BEAM Plus and Leadership in Energy and Environmental Design from U.S. Green Building Council in our projects.

The Group follows the best industry standards and practices in managing our waste. Our Hong Kong and Mainland China projects are stringently governed by the waste disposal statutory requirements of each region. Our contractors in Hong Kong are required to conduct operations as

Management Discussion and Analysis

stipulated in the "Best Practice Guide for Environmental Protection on Construction Sites" provided by the Hong Kong Construction Association. Our office operations are also gradually migrating to paperless systems which facilitate a reduction in paper consumption.

To mitigate the impacts of climate change, the Group contributed to global efforts by minimising our energy use and carbon emissions across our offices in Hong Kong and Mainland China. Various energy efficient technologies such as Building Automation systems and efficient lightings were deployed, achieving a 12% decrease in energy intensity compared to last year.

Account of Key Relationships with Employees, Customers and Suppliers

The Group seeks to drive and cultivate positive relationships with our key stakeholder groups, by taking their interests and needs into full account.

Employees

The Group strives to provide a safe, healthy and harmonious working environment for our employees, and invest in their career development to unleash their greatest potential. The Company continues to offer all our employees competitive remuneration and benefits, which are in line with its transparent policies rewarding merit-based performance. As a caring company, we have adopted family-friendly policies in Hong Kong such as flexible work hours, provision of lactation room, and medical and dental benefits for family members. We embrace diversity and equal opportunities in our workplace as recruitment and promotion are conducted fairly and discrimination in any form is not tolerated. The Company continues to invest in nurturing our high-calibre talent and continuous professional training to our staff, in order to support our strategies to the ever-changing business landscape, through providing internal programmes as well as via sponsorships for relevant external courses.

Providing a safe and healthy working environment is a top priority for the Group. Our projects in Hong Kong and Mainland China are required to adhere to statutory regulations governing safety standards. Each region ensures strict compliance via contractor screenings and periodic audits. In addition, regular health talks and classes are provided to our employees to promote a healthy lifestyle.

Customers

To continually deliver excellence to our customers, quality control is an integral part of our operating procedures. In Hong Kong, a stringent pre-qualification exercise ensures selected contractors are ISO 9000 quality management system certified, and continuous quality assessment is conducted by a commissioned professional during each stage of construction. Our projects in Mainland China employ similar quality assurance mechanisms through Standard Operating Procedures which govern all projects from inception to completion.

The Company upholds the highest ethical standards when we conduct business with our customers. We ensure product responsibility by strictly complying with all relevant advertising and data privacy standards and regulations.

Suppliers

To demonstrate corporate responsibility, the Group extends our sustainability values throughout our supply chain. Suppliers that engage in the management of environmental and social risks are given higher priority in our pre-qualification procedures. Rigorous quality control and audit procedures are another important criteria in the selection of competent suppliers.

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

In the reporting year, the Company recorded no cases of non-compliance with relevant standards, laws and regulations on anti-corruption, occupational health and safety, environment, and data privacy in Hong Kong and Mainland China.

Management Chatroom

Back row, from left: Alexander Lui Yiu Wah; Dr Moses Cheng Mo Chi; Wong Kwai Lam; Au Man Chu
Front row, from left: Paddy Tang Lui Wai Yu; Dr Lui Che-woo; Dr Robin Chan Yau Hing; Dr William Yip Shue Lam

1. Last year, the Group acquired six sites in Hong Kong and Mainland China, including new plots in Suzhou and Jiangmen. What is the development plan for these sites? What is the sales strategy of the Group's other projects?

The Group focuses on developing projects in Hong Kong and in the first and second-tier prime cities in the Yangtze River Delta and Pearl River Delta regions. In the Yangtze River Delta, a strong foothold has been built in Shanghai and Nanjing, likewise in Guangzhou and Dongguan in the Pearl River Delta. In the meantime, the Group is exploring opportunities in surrounding cities to further expand its business presence.

In 2017, the Group successfully acquired six premium sites with a total attributable GFA of over 420,000 sqm in Hong Kong and Mainland China. These included Nanjing in the Yangtze River Delta, Jiangmen in the Pearl River Delta as well as our first project in Suzhou, in a further expansion of its business presence.

In Hong Kong, in May 2017 the Group won the bid for the West Rail Kam Sheung Road Station Package One Property Development project in a joint venture with its business partners. The development benefits from a comprehensive railway network that will meet market demand for "rail" property projects. In November, the Group was awarded a residential plot in Cheung Sha Wan, Kowloon, in a joint venture with other partners. This harbourfront site is well-positioned, within walking distance of the nearby MTR station connecting to Central, the Hong Kong International Airport, the West Kowloon terminus of the Express Rail Link and other business districts.

In the Yangtze River Delta region, Royal Creek, the joint venture project that the Group joined early last year in Nanjing, was launched in November. The Group also debuted in Suzhou after successfully bidding for an approximately 59,000 sqm GFA residential site in the Suzhou National Hi-Tech District last November. This is further evidence of the Group's ongoing success in expanding into other cities with

Management Chatroom

growth potential in the Yangtze River Delta region. The project is located strategically at a sophisticated transportation and commercial hub, next to the Suzhou Xinqu Railway Station of the Shanghai-Nanjing Intercity High-speed Railway and the coming Suzhou Rail Transit Line 3.

In the Pearl River Delta region, the Group acquired two adjacent sites in Jianghai District, Jiangmen, in last August and October respectively. The two sites are strategically located in proximity to the Jiangmen East Station of the Guangzhou-Zhuhai Intercity Rail Transit, thus presenting strong development potential. We believe the acquisition of these two sites is a timely move to capitalise on investment opportunities presented by the initiative of the Guangdong-Hong Kong-Macao Bay Area, underpinning sustainable momentum for future development.

The Group remains optimistic towards the property market outlook in Hong Kong and Mainland China. We will closely monitor the market condition and continue to launch quality projects in order to drive sustainable development. In Hong Kong, the Pak Shek Kok project "Solaria" in Tai Po, with application for pre-sale consent already submitted, offers 1,122 units and is expected to be put on the market in the first half of 2018. In Nanjing, more units of The Peak and Royal Creek will be launched. In Shanghai, the Group plans to market Windermere, a low density residential project in Zhujiajiao in Qingpu District; and to launch The Palace III — Le Haut, a luxury residence in the city centre, and Azure in Pudong New District, subject to market conditions. The Group will continue to market Silver Cove Phase III and the available units of Silver Cove Phases I and II in Dongguan and J Metropolis Phases I, II and III in Guangzhou. The Group, subject to market conditions, plans to launch J Metropolis Phase IV — Uptown to meet market demand.

2. Is the Group more prone to developing through joint ventures after winning the bids with partners for the West Rail Kam Sheung Road Station project, the residential site in Cheung Sha Wan in Kowloon and Royal Creek in Nanjing?

True to its prudent-yet-aggressive approach, the Group remains active in land bidding. Our extensively-experienced professional team is dedicated to the task of conducting detailed assessment, research and analysis of the development's potential, risk and return before determining suitable tender prices for a land site.

We used to have wholly-owned and joint venture development projects, both in Hong Kong or Mainland China. The shareholding structure of our projects depend on certain key considerations, such as the size of investment and positioning of the project, as well as whether potential partners agree with the Group's uncompromising standards of quality and excellence.

3. How will the Group deal with the prevailing austerity measures in the Mainland China property market? Will it target new developments in third and fourth-tier cities in Mainland China instead of first and second-tier cities?

The regulatory measures in Mainland China aim to sustain stable development of the property markets. Transaction prices remained stable despite a reduction in the transaction volume for residential properties being noted in certain cities. Mainland China's economic development was sound and stable with 6.9% GDP growth for 2017, marking the first increment in growth rate since 2011. The Central Government expected a growth target of around 6.5% in 2018. The Group is optimistic about the prospects of the property market, as it believes the stable economic development will help stabilise the housing demand.

Following the comparative advantages gained in penetrating Mainland China's market over the years, the Group is well-positioned to address market challenges through implementation of its adaptive development strategy. During the period under review, satisfactory sales were reported on a number of premium projects including Grand Summit and The Palace in Shanghai, The Peak and Royal Creek in Nanjing, J Metropolis and Le Palais in Guangzhou and Silver Cove in Dongguan.

Take Royal Creek, the joint venture project that the Group participated in early last year, as a demonstration. The Group and its partners adopted a quick "asset turnover" strategy and swiftly launched the project last November, in response to end-users' demand in the local market. The first batch of 376 units in Royal Creek was well received while satisfactory sales were also reported for the first batch of 98 units in Silver Cove Phase III. The Group plans to put the second batch of units of each of these two projects for sale in the market.

KWIH targets at selected premium sites through consistent implementation of its clearly-defined development plan and a prudent-yet-aggressive approach. With strong footholds in first-tier prime cities in the Yangtze River Delta and Pearl River Delta regions, such as Shanghai and Guangzhou, KWIH is constantly eyeing expansion opportunities in neighbouring cities including Nanjing, Suzhou, Dongguan and Jiangmen, in order to sustain its business momentum and promising returns to shareholders.

4. What is the Group's overall strategy for investment properties? Is the Group seeing a strong prospect for the serviced apartment market, given the launch of two additional serviced apartments under the brand of Stanford Residences in 2017?

Expanding its recurrent income property portfolio is one of the Group's foremost development strategies. As of the end of 2017, the Group's recurring rental income (including hotel income) grew by 15% year-on-year to HK$570 million, while the portfolio reached a total attributable GFA of approximately 190,000 sqm. The Group has a diversified mix of properties for recurrent income, such as Grade A office towers, commercial projects, serviced apartments and hotel. Sound results were reported for key properties including J SENSES in Hong Kong, Shanghai K. Wah Centre and Stanford Residences Jing An in Shanghai, Crowne Plaza Guangzhou Huadu and Office in Guangzhou.

Stanford Residences Xu Hui and Stanford Residences Jin Qiao, the Group's two latest high-end serviced apartments in Shanghai under the prime "Stanford Residences" brand, opened last year. They followed the earlier launch of Stanford Residences Jing An in Grand Summit, Shanghai's top-tier luxury residence. Located within The Palace II on a prime site in Xuhui District, Shanghai, the first batch of 66 units at Stanford Residences Xu Hui has come into operation and recorded an occupancy rate of more than 80%. The delivery permit for the remaining two blocks of the serviced apartments was granted and the units are expected to be launched soon. Stanford Residences Jin Qiao, within Azure in Jinqiao of Pudong District, in proximity to the Lujiazui Finance and Trade Zone and Zhangjiang Hi-tech Park, have also been in operation since last September.

As for commercial facilities, part of Palace Lane in The Palace was open for leasing while part of J Town in Silver Cove in Dongguan has been well-received by the market since opening in November 2017. Furthermore, construction of the Suhe Creek office project with a GFA of approximately 20,000 sqm in Jingan District, Shanghai, commenced during the first half of last year. The office project is strategically located next to Qufu Road Station, an interchange station of Shanghai Metro Line 8 and Line 12, providing convenient transport links.

Management Chatroom

The Group is also the operator and promoter of the"Stanford Residences" serviced apartments. These projects are underpinned by the idea of joy and excellence in living, as we intend to bring unrivaled quality and bespoke services to our patrons through design and planning, seeking to deliver premium serviced apartments blending "people, building and environment". In view of the Central Government's proposition of a housing system supported by both rented and purchased homes and strong efforts to develop the rental housing market, the Group will continue to seize any opportunities arising as it seeks to expand the brand of "Stanford Residences" and serviced apartment operations by replicating the success of Stanford Residences in other cities.

5. **The gearing ratio of the Group rose to 34% at the end of 2017. Will it constitute a financial burden and induce an adverse impact on the business development? What is the Group's financial policy?**

The Group's gearing ratio increased as a result of settlement of land premium for a total of HK$16.7 billion in 2017 for land acquired in Hong Kong and Mainland China. Following receipts from contracted sales and projects to be launched, it is expected the gearing ratio will drop accordingly. On the other hand, the interest cover of 12 times during the period under review evidenced our strong financial position.

In January 2018, the Group closed a HK$7 billion 5-year revolving credit and term loan facility with a consortium of 11 banks. The facility, carrying an interest rate of HIBOR + 0.82% p.a., will enable the Group to save its interest costs and further extend the overall maturity profile of its loan portfolio while raising the Group's available credit facilities, and thus enhancing its financial flexibility and funding capabilities, providing ample funds in support of its stable business development.

The Group will continue to acquire premium sites in Hong Kong, the Yangtze River Delta and Pearl River Delta regions on a strictly selective basis and to explore new investment opportunities in order to fuel our business development and create ever higher value to the company and its shareholders.

6. **Is there any specific allocation of resources between Hong Kong and Mainland China? Does the Group have any plan to expand beyond Hong Kong and Mainland China?**

KWIH has maintained a sound financial position with strong liquidity, providing sufficient resources for the Group to tap opportunities both in Hong Kong and Mainland China.

The allocation of resources depends on a number of factors in a specific project, such as its development potential, risk and return as well as the prevailing economic conditions. Our professional teams conduct prudent research and analysis in respect of each development project to determine and allocate certain resources to them.

The Group sees plenty of opportunities in both Hong Kong and Mainland China, indicating that Hong Kong, the Yangtze River Delta and Pearl River Delta regions will remain its strategic footholds. Besides first-tier cities, KWIH has been eyeing expansion in neighbouring cities. For example, the Group participated in Royal Creek in Pukou District, Nanjing and last November debuted in Suzhou as it acquired a residential site in the Suzhou National High-Tech District. Furthermore, the Group seized investment opportunities arising from the initiative of the Guangdong-Hong Kong-Macao Bay Area and acquired two adjacent sites in Jianghai District, Jiangmen, in August and October 2017 respectively.

Investor Relations

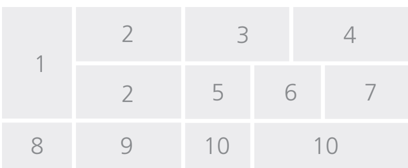
KWIH is a constituent of Hang Seng Composite MidCap Index and MSCI Hong Kong Small Cap Index, respectively. KWIH is also an eligible stock under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programmes.

KWIH is committed to maintaining ongoing communication with investors. We ensure effective and timely dissemination of information through the application of advanced IT facilities. Apart from announcements, press releases and reports of results published on our official website, we post our information through online media so that investors around the world could be able to obtain our latest corporate information and updates on our Group's financial status, development plans and business strategies. The Group also regularly organises results presentations, investor conferences, one-on-one meetings and site visits. These enable an effective two-way communication for our management and the investment community to exchange ideas and establish a close relationship.

KWIH enjoys regular analysts' coverage by a number of international securities houses as well as frequent reports and recommendations by stock commentators and financial media. In addition, the Group garnered the "Outstanding Corporate Governance Award" from Quamnet for the second consecutive year, and the Certificate of Excellence 2017 – Investor Relations presented by Hong Kong Investor Relations Association. The awards provide solid recognition again for KWIH in upholding the highest standard of corporate governance and all-round excellence in IR efforts.

Furthermore, KWIH Annual Report 2016 won four silver awards in the international annual report competitions, including the International Annual Report Competition Awards 2017 under the categories of "Cover Photo/Design: Real Estate Integrated Development & Investment" and "Cover Photo/Design: Real Estate Development/SVC: Various & Multi-Use", and the International Annual Report Design Awards (IADA) 2017 Summer Season under the categories of "Real Estate Development – Integrated Presentation" and "Residential Real Estate/General – Cover Design (Design Concept)", respectively. With the theme of "Sustaining Success through Excellence and Quality", KWIH 2016 Annual Report demonstrates a high level of creativity in design as well as the Group's dazzling sales and strong market recognition of "K. Wah" brand for its quality projects in Hong Kong and Mainland China.

Corporate Social Responsibility



1 KWIH sent two teams to participate in the "Stanley International Dragon Boat Championships 2017".

2 KWIH proudly supported Opera Hong Kong as the Title Sponsor of the classics The Barber of Seville and Aïda, fostering the development of opera and performing arts in Hong Kong.

3 KWIH became the first partner with The University of Hong Kong's Department of Real Estate and Construction for the launch of an Industry X Academic Exchange Programme in order to strengthen students' understanding of the real estate industry and nurture future leaders in society.

Building long-term, interactive relationships with the community and employees represents one of the priorities of KWIH, as we believe such lasting relationships form the cornerstone of the Group's sustainable development. In the spirit of giving back to society from which we are benefitted, the Group spares no effort in making contributions to the community on multiple fronts on top of its business pursuits, with a genuine wish to enrich lives with positive energy and benevolence.

4 KWIH invited university students to intern at its Hong Kong and Shanghai offices for seven weeks. The internship programme enabled the students to gain valuable work experience and a better understanding of the competitive edge and work culture in the cities. "K. Wah Alumni Club" was also established to maintain communication with the interns.

5 KWIH sponsored its staff and their associates in a charity night walk at Tai Mo Shan to advocate low-carbon green lifestyle.

6 KWIH jointly organized a "Birthday Party for the Elderly" with St. James' Settlement and invited its staff and associates to celebrate the seniors' birthdays together with warmth and happiness.

7 Interest classes were held to help staff relax by making specialty coffee and organic soy candles.

8 KWIH Huicheng and Guangyu staff volunteered to a remote primary school in Woshui Town, Liannan County, Qingyuan, to visit local students and their families.

9 Around 180 KWIH Shanghai staff members completed two giant paintings to demonstrate the importance of team work.

10 KWIH organized a team building training in Jiangxi and Chongqing for its Shanghai and Huicheng and Guangyu staff, respectively, to enhance communication and understanding among employees for stronger team cohesiveness.

Corporate Governance Report

As at 20 March 2018

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2017.

The objective of the management structure within the Group — headed by our Board and led by the Chairman — is to deliver sustainable value to our Shareholders. To this end, good corporate governance plays a significant role.

The Board has applied the code provisions ("CPs") in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") during the year.

BOARD OF DIRECTORS

The Board Led by the Chairman, the Board as the highest governing body of the Company has the responsibility for leadership and control of the Group. The Board sets the strategy of the Group and approves the annual operating budget prepared and presented by the management for achieving the Group's strategic objectives.

Chairman and Managing Director Dr. Lui Che-woo currently takes the roles of both the Chairman and the Managing Director of the Company. He leads the Board and oversees the day-to-day management of the Group. The Chairman has encouraged all Directors, especially the NED and the INEDs to express their opinion freely before proposing the resolutions for voting.

Board Composition The Board currently comprises 9 Board members: the Chairman and Managing Director, 3 other executive Directors ("EDs"), one non-executive Director ("NED") and 4 independent non-executive Directors ("INEDs"); with one of the INEDs has accounting professional qualification. The biographical details of the current Directors are set out on pages 50 to 53 of this annual report as well as on the website of the Company. The list of Directors with their roles and functions is also disclosed on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") respectively.

The EDs are employees of the Company who carry out executive functions in addition to their duties as Directors. They are collectively responsible for promoting the success of the Company by directing strategic objectives, developing strategic plans and overseeing the day-to-day management of the Group's business to ensure the efficient disposition of the Group's resources for the achievement of the strategic objectives set by the Board.

The NED and INEDs are not employees of the Company and do not participate in the daily management of the Group's business. Our NED and INEDs bring external perspectives, constructively challenge and help develop proposals on strategies, scrutinize the management in meeting agreed goals and monitor performance reporting. Through their wealth of experience across a number of industries and business sectors, our NED and INEDs contribute valuable views and proposals for the Board's deliberation and decisions.

Board Practices In 2017, the Board held 5 Board meetings (including 4 regular Board meetings and 1 ad hoc Board meeting). The regular Board meetings were held at approximately quarterly intervals and the dates of which had been scheduled at the beginning of the year. Notice of at least 14 days in advance was given for convening a regular Board meeting. The Directors actively participated in person at each Board meeting to consider and, if appropriate, approve the annual budget and to review the business progress against the budget. Matters requiring Board consents were given by vote at the Board meeting where Board members acted collectively as a unit. The Chairman also encourages and allows all Directors to have sufficient time to raise questions on each agenda item during the meeting. Between scheduled Board meetings, routine/operational matters were considered and approved by the Board via the circulation of written resolutions with supporting materials, explanatory write-ups from the Company Secretary or briefings from the management as appropriate.

The Company has a set of comprehensive induction materials for newly appointed Directors. The Company Secretary has regularly updated Directors on compliance developments. All Directors have access to the advice and services from the management and the Company Secretary with a view to ensuring that Board procedures, and applicable rules and regulations, are followed. There are also arrangements in place for providing continuous professional development training (including attendance at external forums or briefing sessions and delivering of speeches on the relevant topics) and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. There is satisfactory attendance at Board meetings, Board Committee meetings and the meetings between the Chairman and the INEDs and the general meeting during the year 2017. The Company receives notification from each Director on an annual basis a list showing the nature of offices he holds in other public listed companies and organizations and other significant commitments and also indication of the respective estimated time involved.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

Our NED and INEDs are either veteran professionals or businessmen who have brought not only a wide range of skills and experience to the Group but also independent judgment to bear on issues of strategy, performance, risk and people through their contributions at Board meetings and also at meetings of the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") of the Company.

The Board has procedures in place to ensure that conflict of interest will be resolved in accordance with the spirit and requirement of CP A.1.7 of the CG Code of the Listing Rules on the HK Stock Exchange. The Company assists the INEDs with professional advice (at the Company's expenses) and management briefings for them to arrive at their recommendations on matters involving conflict of interest.

Supply and Access to Information The Company Secretary circulates meeting agenda (with arrangements for Directors to include their own items if thought fit) and supporting papers to the Directors at least 3 days in advance of a Board meeting, and attends Board meetings to assist in the proceedings.

All Directors have access to and open contact with management for any information and are entitled to have access to board papers and related materials as they require to make informed decisions on matters placed before them. Assisted by the Company Secretary, the Chairman of the Board has ensured that the Directors have been properly briefed on issues arising at Board meetings and supplied with information and papers as promptly and fully as possible. The Directors have access to independent professional advice when it becomes necessary and also the services of the Company Secretary who has been regularly updating the Directors on governance and regulatory matters. The service of independent professional advice at the Company's expense is also available to the members of the Audit Committee, Remuneration Committee and Nomination Committee. The external auditor, PricewaterhouseCoopers ("PwC"), attended all the Audit Committee meetings as well as Board meetings convened for approving annual and interim results.

The Company Secretary has kept all the minutes of Board meetings, which together with any supporting board papers, are available for all Board members for inspection. These minutes recorded matters considered by the Board and views expressed by the Directors. Draft and final versions of these minutes are sent to all Directors for their comments and records respectively, in both cases, within a reasonable time after each meeting.

Corporate Governance Report

As at 20 March 2018

Directors' attendance at Board and other meetings in 2017 is as follows:

	Meetings attended/Eligible to attend				
Name of Directors	Board Meeting (5)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Nomination Committee Meeting (1)	Annual General Meeting (1)
Executive Directors					
Lui Che-woo *(Chairman & Managing Director)*[1]	4/4*	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung[2]	0/4*	N/A	N/A	N/A	0/1
Paddy Tang Lui Wai Yu[3]	4/4*	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah[4]	4/4*	N/A	N/A	N/A	1/1
Non-executive Director					
Moses Cheng Mo Chi	3/5	2/2	N/A	N/A	0/1
Independent Non-executive Directors					
Robin Chan Yau Hing	5/5	N/A	N/A	N/A	1/1
William Yip Shue Lam	5/5	2/2	1/1	1/1	1/1
Au Man Chu	5/5	2/2	N/A	N/A	1/1
Wong Kwai Lam	5/5	N/A	1/1	1/1	1/1
Total	35/41	6/6	3/3	3/3	7/9
Average attendance rate	85%	100%	100%	100%	78%

* *Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah were abstained from voting at the ad hoc Board Meeting held on 23 August 2017 for approving the continuing connected transactions.*

1. Dr. Lui Che-woo is the father of Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.
2. Mr. Francis Lui Yiu Tung is the son of Dr. Lui Che-woo, the younger brother of Ms. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.
3. Ms. Paddy Tang Lui Wai Yu is the daughter of Dr. Lui Che-woo, the elder sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.
4. Mr. Alexander Lui Yiu Wah is the son of Dr. Lui Che-woo, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Appointment, Re-election and Removal All our NED and INEDs are appointed for a specified term of 3 years, subject to re-election by Shareholders at the annual general meeting of the Company.

In accordance with the Bye-laws of the Company, other than the Chairman and the Managing Director of the Company, one-third of the Directors for the time being (or the number nearest one-third) shall retire by rotation, but can stand for re-election, at each annual general meeting of the Company. At the forthcoming 2018 annual general meeting ("2018 AGM") of the Company, Mr. Alexander Lui Yiu Wah (ED), Mr. Au Man Chu (INED) and Mr. Wong Kwai Lam (INED) will retire by rotation and, being eligible, will offer themselves for re-election.

Particulars of the said retiring Directors and the recommendation of the Board for their re-election are set out in a circular accompanied with this annual report for being despatched to the Shareholders.

Confirmation of Independence The Board considers all of its INEDs independent in character and judgment as within the guidelines under Rule 3.13 of the Listing Rules. In reaching its determination, the Board has concluded that there are no relationships or circumstances that are likely to affect any INED's judgment. In accordance with Rule 3.13 of the Listing Rules, each of the 4 INEDs determined by the Board as independent has provided an annual written confirmation of his independence to the Company. The Company has identified its INEDs as such in all its corporate communications to the Shareholders.

Directors' Induction and Continuous Professional Development All Directors has participated in continuous professional development training (including attendance at external forums or briefing sessions, delivering of speeches and in-house seminars on the relevant topics) and have been provided with relevant reading materials to ensure they are apprised of the latest changes on the relevant laws, rules and regulations to further strengthen their knowledge and skills on their roles, functions and duties. The Company from time to time provides written training materials and latest development of the Listing Rules, applicable laws, rules and regulations relating to the Directors' duties and responsibilities.

During the year under review, the Company at its own expenses had provided Directors with written training materials for regulatory updates and arranged in-house seminar sessions conducted by qualified professionals experienced on the following topics for the Directors and the management of the Company to attend:

(1) seminar on "Business Innovation — FinTech";

(2) webcasts on "Duties of directors and the role and functions of board committees";

(3) seminar on "One Belt One Road: Prospect and Risk, the Key Function towards Hong Kong"; and

(4) seminar on "The Current States of China's and World Economies Under Negative Interest Rate".

The Company has maintained records of training provided for each Director, summarized as follows:

Members of the Board	Attending Seminars	Reading Materials
Executive Directors		
Lui Che-woo *(Chairman & Managing Director)*	(1),(2),(3),(4)	—
Francis Lui Yiu Tung	(2)	(1),(4)
Paddy Tang Lui Wai Yu	(1),(2),(3),(4)	—
Alexander Lui Yiu Wah	(1),(2),(3),(4)	—
Non-executive Director		
Moses Cheng Mo Chi	(2)	(1),(4)
Independent Non-executive Directors		
Robin Chan Yau Hing	(1),(2),(3),(4)	—
William Yip Shue Lam	(1),(2),(3)	(4)
Au Man Chu	(1),(2),(3),(4)	—
Wong Kwai Lam	(1),(2),(3),(4)	—

Model Code for Securities Transactions by Directors The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2017. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by its certain employees.

Other than the continuing connected transactions disclosed in the Report of the Directors, none of the Directors had, at any time during the year and up to the date of this Report or at the balance sheet

Corporate Governance Report
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date, a material interest, directly or indirectly, in any significant transaction, arrangement and contract of significance with the Company or any of its subsidiaries.

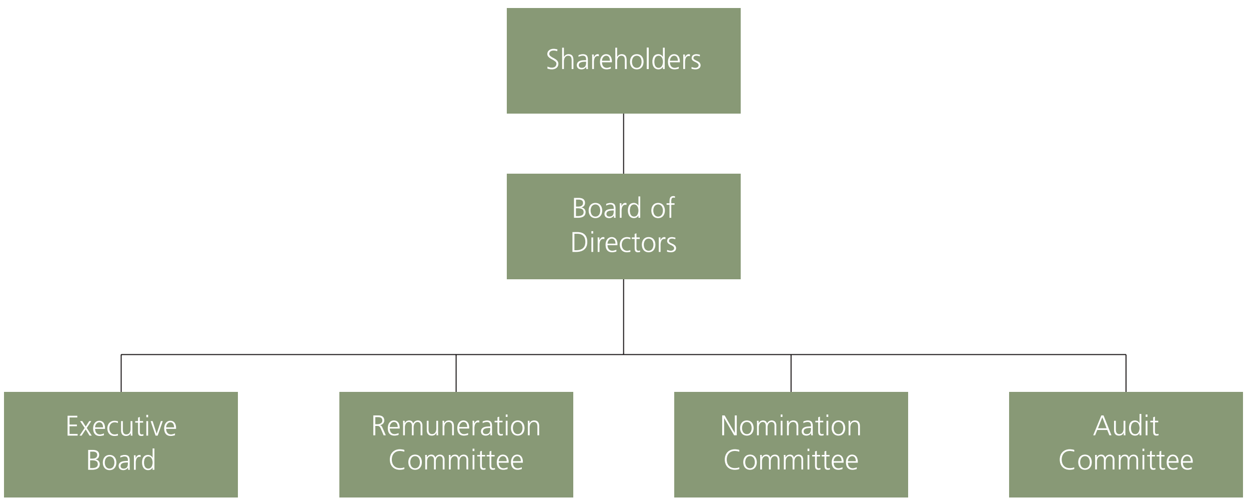
Corporate Governance Functions A policy for the Corporate Governance Policy including all the required terms of reference stated in CP D.3.1 of the CG Code was adopted by the Board on 22 March 2012 and is subject to review annually. The Board is primarily responsible for determining the policy for the corporate governance of the Company and performing the following corporate governance duties as required under the CG Code:

- To develop and review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and
- To review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

During the year under review, the Board reviewed the Policy for Nomination of Directors, the Model Code, the Corporate Governance Policy, Shareholders Communication Policy and the amounts under the annual caps on continuing connected transactions of the Group, as well as the effectiveness and adequacy of the internal control and risk management systems of the Company through the internal audit function and the Audit Committee. The Company has also established an internal policy on handling of confidential and inside information, and securities transactions for all employees of the Group to comply with the requirements under Part XIVA of the Securities and Future Ordinance when they are in possession of confidential and inside information in relation to the Group.

DELEGATION BY THE BOARD

The Board has set up 4 committees, namely, the Executive Board, the Remuneration Committee, the Nomination Committee and Audit Committee, to assist it in carrying out its responsibilities. The structure of which is as follows:



Executive Board Within the clear guidelines which it sets, the Board has delegated to an executive board ("Executive Board") established by it, comprising all the EDs, authority to oversee the implementation of the Group's strategy set by the Board, monitor the Group's investment and trading performance as well as funding and finance requirements, and review management performance. The Board retains to itself authority on annual budgets and accounts, dividends, share capital, derivative transactions, connected transactions and transactions requiring Shareholders' approval, and certain financing, acquisitions, disposals and operation issues above predetermined thresholds.

The Executive Board also meets regularly and operates as a general management committee under the direct authority of the Board. The Executive Board reports through the Chairman and Managing Director to the Board. The Executive Board sub-delegates day-to-day administration details to the management committees charged with specific operation tasks under the leadership of the Executive Board. Management, pursuant to the level of authority formally approved by the Executive Board, submit written proposals with detailed analysis on financial and commercial aspects and recommendations to the Executive Board for consideration and approval. When the matter exceeds the authority of the Executive Board or relates to any matters specifically reserved to the Board, it would be submitted to the Board for approval.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee The Remuneration Committee currently comprises 3 members identified in the table on page 42 (Dr. William Yip Shue Lam, Dr. Lui Che-woo and Mr. Wong Kwai Lam) and is chaired by Dr. William Yip Shue Lam (INED). The Company Secretary acts as the secretary of the Remuneration Committee, who has kept full minutes of the Remuneration Committee meetings with drafts and final versions circulating to members for their comments and records respectively within a reasonable time after the relevant meetings. The written terms of reference of the Remuneration Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In accordance with its terms of reference, the Remuneration Committee:

- on 17 January 2017, reviewed and approved the 2016 year-ended bonus paid to EDs;
- on 15 March 2017, reviewed the level of Directors' fees for 2016 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2017;
- on 17 July 2017, considered and endorsed the Executive Board's Share Option Scheme 19th Offer Proposal on granting options to (among others) Directors;
- on 5 February 2018, reviewed and approved the 2017 year-end bonus paid to the EDs; and
- on 14 March 2018, reviewed the level of Directors' fees for 2017 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2018.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2017 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2018 AGM. The Remuneration Committee submitted its written report and/or recommendations to the Board after its meeting.

No Director had participated in the determination of his or her own remuneration.

Details of Directors' Remuneration and Five Highest Pay Individuals of the Group for the year ended 31 December 2017 are set out in notes 12 and 13 to the 2017 Financial Statements respectively.

Nomination Committee The Nomination Committee of the Company comprises 3 members identified in the table on page 42 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. Lui Che-woo. The Company Secretary acts as the secretary of the Nomination Committee, who has kept full minutes of the Nomination Committee meetings with drafts and final versions being circulated to members for their comments and records respectively within a reasonable time after the relevant meetings.

Corporate Governance Report

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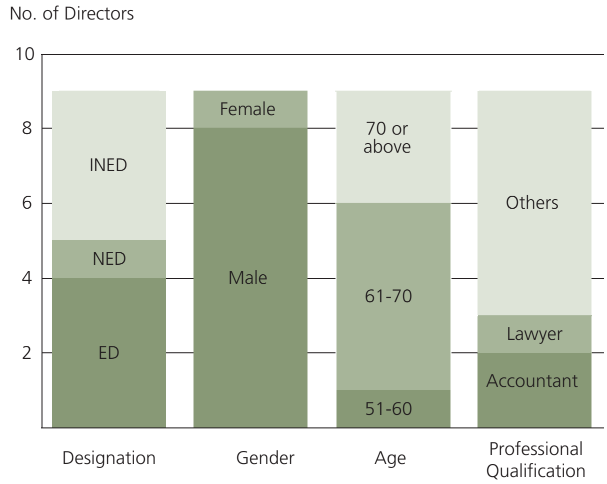
The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; conducting assessment of the independence of each INED and the management of Board succession. In order to facilitate its functions for the nomination of procedures and the process and criteria to select and recommend candidates for directorship of the Company, a policy for nomination of directors ("Nomination Policy") had been adopted by the Board on 22 March 2012 and was revised in March 2013 to include the diversity of board members. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and other qualities of Directors. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee is also responsible for assessing the independence of INEDs and reviewing their annual confirmation on their independence. The written terms of reference of the Nomination Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In 2017, the Nomination Committee met once in March 2017 with all members attended. At its meeting held on 14 March 2018, the Nomination Committee reviewed the structure, size and composition of the Board; assessed the independence of all INEDs; and made recommendation on the retirement and re-election of Directors at the 2018 AGM. The Nomination Committee submitted its written report and/or recommendations to the Board after its meeting.

The diversity profile of the Board as at 20 March 2018 is as follows:



Audit Committee The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and risk management and internal control systems and to review the Group's interim and annual consolidated financial statements.

The Audit Committee comprises 1 NED (Dr. Moses Cheng Mo Chi) and 2 INEDs (Dr. William Yip Shue Lam and Mr. Au Man Chu), identified in the table on page 42 and is chaired by Dr. William Yip Shue Lam. The Company Secretary acts as the secretary of the Audit Committee, who has kept full minutes of the Audit Committee meetings with drafts and final versions being circulated to the members for their comment and records respectively within a reasonable time after the relevant meetings. Regular attendees at the Audit Committee meetings are the management of the Company responsible for the accounting and financial reporting function, head of the internal audit function, and the senior representatives of PwC as the external auditor.

In 2017, the Audit Committee met twice in March 2017 for reviewing the Group's 2016 annual results and financial statements and in August 2017 for reviewing the Group's 2017 interim results and financial statements. At its meeting on 14 March 2018, the Audit Committee reviewed the Group's annual results and financial statements for 2017, the effectiveness and adequacy of the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function. Each meeting received written reports and papers from PwC.

The written terms of reference of the Audit Committee has been revised in December 2015 to include an ongoing responsibility to oversee the Company's risk management system in compliance with the new CG Code which takes effect from 1 January 2016. The revised written terms of reference of the Audit Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

The Audit Committee was satisfied with the independence of PwC during the year and has recommended the Board to propose for the re-appointment of PwC as the external auditor of the Company at the 2018 AGM. An analysis of the fees for 2017 paid to external auditor appears in note 10 to the 2017 Financial Statements.

Company Secretary The Company Secretary is a full time employee of the Company, who reports to the Chairman and assists the Board in ensuring effective information flow among Board members and that the Board policy and procedures including those on corporate governance matters are followed. The Company Secretary had complied with Rule 3.29 of the Listing Rules during the year under review.

ACCOUNTABILITY

Financial Reporting The Board is accountable for the proper stewardship of the Group's affairs, and Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with generally accepted accounting standards in Hong Kong, the requirements of the Listing Rules and applicable laws as well as the integrity of the financial information so reported. Such responsibility is extended to cover not only the annual and interim reports but also announcements and other financial disclosures of the Company required under the Listing Rules. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Independent Auditor's Report to the Shareholders is set out on pages 65 to 69 of this annual report.

The management of individual businesses within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval. Starting from April 2012, the Company provided all Directors with monthly management updates giving a balanced and understandable assessment of the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Group has adopted the going concern basis in preparing its financial statements.

Risk Management and Internal Control The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems on an ongoing basis.

The Group has a clear organizational structure with well-defined responsibilities, reporting lines and authority limits and budgetary controls for managers of operating divisions. Policies and procedures are in place to effect all material controls, including financial, operational and compliance controls.

Risk management strategies have been established to help individual operating divisions manage risks facing the Group and support the Board in discharging its corporate governance responsibilities. Risk assessment exercise is performed through questionnaires and interviews with the senior executives and function heads to identify and evaluate significant risks of the Group and the results of which are reported to the Board for considering any risk mitigation actions and controls through the Audit Committee. Appropriate risk mitigation actions are being taken to manage and control individual risks.

Corporate Governance Report

As at 20 March 2018

The Board, through the Audit Committee, has reviewed the Group's risk management system annually and internal control system semi-annually which are designed to manage rather to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

The Group's Internal Audit Department has been established to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. Its audit work covers all material controls, including financial, operational and compliance controls.

The Chairman of the Audit Committee has open access to the head of Internal Audit Department. During the year 2017 and up to the date of the financial statements, there were no significant control failings or weaknesses, as the Internal Audit Department so reported to the Board through the Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board established a shareholders communication policy in March 2012 setting out the principles of the Company in relation to its communication with the Shareholders, with the objective of ensuring the effective and timely dissemination of information to Shareholders at all times. In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes sure these materials, which contain extensive information about the Group's activities, timely available for access by Shareholders on both the websites of the Company and HKEx. The Company's website at http://www.kwih.com is also an informative platform for investors and it contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

The Company has delegated its management specifically charged with investor relation functions. The Company responds to enquiries from Shareholders and investors on matters relating to the business of the Group in an informative and timely manner. Every year, upon announcing results, the Company holds a press conference and briefings with the investment community, and the EDs also have dialogues with institutional investors and financial analysts. In between times, the Company organizes site visits and meetings for reserved analysts in order to provide them with a comprehensive knowledge of our projects.

The Company received coverage and regular reports on its business and stock performance from leading financial commentators and analysts of local and international securities houses.

The Company encourages the Shareholders to attend annual general meetings and all its other shareholders' meetings to discuss progress and matters. The Chairman of the Board and other Directors are available at these meetings to answer Shareholders' questions. Separate resolution is proposed at general meetings of the Company on each substantially separate issue, including the election of individual directors. All the resolutions proposed at the 2017 annual general meeting ("2017 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2017 AGM had at the meeting ensured that an explanation was provided for the detailed procedures for conducting a poll. The Company's branch share registrar in Hong Kong had acted as the scrutineer for the vote-taking at the 2017 AGM, the voting results of which had been announced by the Company in accordance with Rule 2.07C of the Listing Rules on the websites of the Company and HKEx respectively. The Company had sent the notice of 2017 AGM to Shareholders more than 20 clear business days before the 2017 AGM. The Chairman of the 2018 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2018 AGM (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders Pursuant to the provisions of Section 74 of the Companies Act 1981 of Bermuda (as amended), a special general meeting may be convened by the Board of Directors upon requisition by any shareholder(s) holding not less than one-tenth of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. The requisition must state the purposes of the meeting, and must be signed by the relevant shareholder(s) and deposited at the principal place of business in Hong Kong of the Company. If the Board of Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the shareholder(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward proposals at general meeting A shareholder shall make a written requisition to move a resolution at general meeting to the Board of Directors or the Company Secretary of the Company at the principal place of business in Hong Kong of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Proposal for election of Director If a shareholder intends to propose a person other than a retiring Director of the Company for election as Director, the procedures have been set out in the Company's website.

Enquiries to the Board Shareholders may put forward their enquiries about the Company to the Board of Directors at the Company's principal place of business in Hong Kong or by email through the Investor Relations of the Company.

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum of Association and Bye-laws has been published on the websites of the Company and HKEx respectively. There have been no changes in the Company's Memorandum of Association and Bye-laws since the last alternation in June 2007.

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

The Board and the management of the Company are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing and ensuring adherence to the Corporate Governance Policy and the Shareholders Communication Policy. The Company is committed to maintaining high standards of corporate governance and enhancing corporate transparency and accountability.

Throughout the year ended 31 December 2017, the Company had complied with the CPs of the CG Code as set out in Appendix 14 to the Listing Rules, apart from the following CPs:

CP A.2.1 — there was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by Dr. Lui Che-woo. The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible EDs. The Board found that the current management had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, all INEDs have contributed valuable views and proposals independently for the Board's deliberation and decisions.

CP A.4.2 — Given that the other Directors do retire by rotation in accordance with the Bye-laws of the Company and the Board considers that the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to the Company and his leadership, vision and profound knowledge in the widespread geographical business of the Group is a valuable asset of the Company.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Lui Che-woo, ***GBM, MBE, JP, LLD, DSSc, DBA***, aged 88, the founder of the Group, has been the Chairman since June 1989 and is presently the Chairman and the Managing Director, a member of the remuneration committee (ceased to act as the chairman on 22 March 2012 but remains as a member) as well as the chairman of the nomination committee (appointed on 22 March 2012) of the Company. Dr. Lui is also the chairman and an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He has over 50 years' experience in quarrying, construction materials and property development. He was the founding chairman of the Institute of Quarrying in UK (Hong Kong Branch) and the chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the founding chairman of The Federation of Hong Kong Hotel Owners, the president of Tsim Sha Tsui East Property Developers Association, the founding president of Hong Kong — Guangdong Economic Development Association and an Honorary President of Hong Kong — Shanghai Economic Development Association. Dr. Lui has been appointed as a member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Furthermore, Dr. Lui was a member of the 9th National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in June 2012. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011. Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 — Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at The Asia Awards in 2014. Dr. Lui was awarded the Lifetime Achievement Award by the World Travel Awards in 2015. Dr. Lui is the founder of the LUI Che Woo Prize — Prize for World Civilisation established in Hong Kong in 2015 for sustainable development of the world, welfare of mankind and promotion of positive life attitude. Furthermore, Dr Lui is Honourary Trustee of Peking University, Founding Honorary Patron of The University of Hong Kong Foundation for Educational Development and Research, Member of the Board of Trustees of United College of the Chinese University of Hong Kong, Honorary Member of the Court of Hong Kong University of Science and Technology, Honorary Life Chairman of the Hong Kong Polytechnic University Foundation and Member of the Court of the Hong Kong Polytechnic University, Member of the Board of Directors of Fudan University and Life Honorary Chairman of Wuyi University Board of Trustees. Dr. Lui is the father of Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.

Mr. Francis Lui Yiu Tung, aged 62, joined K. Wah group in 1979. He has been an executive Director of the Company since June 1989. Mr. Lui is also the deputy chairman and a member of each of the executive board, nomination committee and remuneration committee as well as the chairman of corporate governance committee of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in civil engineering and a Master of Science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the HKSAR and a member of the Chief Executive Election Committee of Macau SAR. He is also a director of the 68th Term of Macao Chamber of Commerce and an Honorary Chairman of the 18th Term of Kiang Wu Hospital Charitable Association. Mr. Lui was awarded the Medal of Merit — Tourism by Macau SAR in 2012 and Asia Pacific Entrepreneurship Awards 2014 — Entrepreneur of the Year by Enterprise Asia in 2014. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Ms. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.

Ms. Paddy Tang Lui Wai Yu, ***BBS, JP***, aged 64, joined K. Wah group in 1980 and has been an executive Director of the Company since June 1989. She is also an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, she has no previous directorships in other public listed companies in the last 3 years. She holds a Bachelor of Commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui has been elected as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference in December 2012. She was appointed as a member of board of trustees of Shanghai Jiao Tong University on 30 October 2014. Ms. Lui was formerly a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation and a non-executive director of the Mandatory Provident Fund Schemes Authority. Ms. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is the daughter of Dr. Lui Che-woo and the elder sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.

Mr. Alexander Lui Yiu Wah, aged 55, joined K. Wah group in 1984 and is presently the Managing Director of Hong Kong Properties of the Group. He has been an executive Director of the Company since April 2010. Mr. Lui is also a director of a number of affiliated companies of the Group. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in Industrial and Systems Engineering from the University of Southern California, USA. Mr. Lui was a committee member of Guangzhou Committee of the 11th Chinese People's Political Consultative Conference and has been again elected as a committee member of Guangzhou Committee of the 12th Chinese People's Political Consultative Conference in 2011. He has been elected as a committee member of Guangdong Provincial Committee of the 11th Chinese People's Political Consultative Conference on 14 January 2013. Mr. Lui was elected as a committee member of Jiangman City Xinhui District Committee of the 13th Chinese People's Political Consultative Conference in 2006 and has been again elected as a committee member of Jiangman City Xinhui District Committee of the 14th Chinese People's Political Consultative Conference in 2012. Mr. Lui was elected as the managing vice-chairman and director of the 5th Board of Directors of Guangzhou Municipal Committee Hong Kong Members Association in January 2013. Mr. Lui was re-appointed as the managing vice-chairman of the 6th Board of Directors of Guangzhou Overseas Friendship-Liaison Association on 26 March 2013. Mr. Lui has been appointed as the deputy chairman (vice president) of the Guangdong Federation of Industry and Commerce in PRC for the years from 2012 to 2017. Mr. Lui has been appointed as a member of Hong Kong CPPCC (Provincial) Members Association Limited on 17 April 2013. In August 2014, Mr. Lui was appointed as a director of the 3rd Board of Directors of the Association of The Hong Kong Members of Guangdong's Chinese People's Political Consultative Conference Committees. He was appointed as the executive vice-chairman of Hong Kong Guang Fo Zhao Fraternity Association (2014-2017). In December 2015, Mr. Lui was appointed as the managing director of the 7th Board of Directors of Guangdong Overseas Friendship Association. In December 2016, Mr. Lui has been appointed as the managing vice-chairman of the 1st Board of Directors of Hong Kong Guangdong Youth Association. He was elected as the vice president of Federation of Hong Kong Guangdong Community Organisations on 1 July 2017. In October 2017, he was appointed as the honorary advisor of Guangdong — Hong Kong — Macau Greater Bay Area Youth Association. In December 2017, he was awarded the honorable president of the 1st Council of Pengjiang Overseas Youth Association. He is the vice president of The Hong Kong Real Estate Association. He has been a member of the board of directors of The Real Estate Developers Association of Hong Kong since 1999. Mr. Lui has been appointed as a director of Business & Professionals Federation of Hong Kong since 27 September 2002 and was re-elected as a member of the executive committee in September 2015. He was a member of The Appeal Panel on Housing, Hong Kong during the period from 1 July 2002 to 31 March 2008. He was a member of Estate Agents Authority (EAA) from 2008 to October 2014. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Biographical Information of Directors

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, ***GBM, GBS, OBE, JP***, aged 68, has been a non-executive Director of the Company since August 2009. He has been appointed as a member of the audit committee of the Company with effect from 31 July 2015.

Dr. Cheng is a practising solicitor and a consultant of P.C. Woo & Co., a Hong Kong firm of solicitors, after serving as its senior partner from 1994 to 2015. He was also the founding chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus.

Dr. Cheng was a member of the Legislative Council of Hong Kong and the chairman of the Main Board Listing Committee and the Growth Enterprise Market Listing Committee of the HK Stock Exchange and a remuneration committee member of The Financial Reporting Council in Hong Kong.

Dr. Cheng is currently an independent non-executive director in China Mobile Limited, China Resources Beer (Holdings) Company Limited, Guangdong Investment Limited, Liu Chong Hing Investment Limited and Towngas China Company Limited, all being public listed companies on the Main Board of the HK Stock Exchange. He is also a non-executive director in Kader Holdings Company Limited and Tian An China Investments Company Limited, all being public listed companies on the Main Board of the HK Stock Exchange. Dr. Cheng is also the chairman of the Insurance Authority and the chairman of the Process Review Panel for the Securities and Futures Commission. On 1 July 2013, he was appointed as an independent non-executive director of OTC Clearing Hong Kong Limited (a subsidiary of Hong Kong Exchanges and Clearing Limited). Dr. Cheng had ceased as an independent non-executive director of ARA Asset Management Limited (a company formerly listed in Singapore) with effect from 20 April 2017. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

Dr. Cheng was awarded the Grand Bauhinia Medal by the Government of the HKSAR in July 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, ***GBS, LLD, JP***, aged 85, has been a Director since June 1989 and has become an independent non-executive Director of the Company since 1998. Dr. Chan holds different positions in public listed companies on the Main Board of the HK Stock Exchange, including the chairman and an executive director of Asia Financial Holdings Limited and an independent non-executive director of Keck Seng Investments (Hong Kong) Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. In addition, Dr. Chan is the vice chairman of All-China Federation of Returned Overseas Chinese and the life honorary chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also the founding chairman and president of the Hong Kong Federation of Overseas Chinese Associations Limited, the honorary chairman of both the China Federation of Overseas Chinese Entrepreneurs and the Federation of HK Chiu Chow Community Organizations Limited; and an adviser of the China Overseas Chinese Entrepreneurs Association.

Dr. Chan had been a deputy to The National People's Congress of the People's Republic of China from March 1988 to February 2008. He has extensive experience in the banking industry and acts as an adviser to numerous other companies.

Dr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. Dr. Chan was conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in June 2013.

Dr. William Yip Shue Lam, ***LLD***, aged 80, has been an independent non-executive Director and the chairman of audit committee since June 2008 as well as the chairman of the remuneration committee and a member of the nomination committee (both appointed on 22 March 2012) of the Company. He holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the chairman of Canada Land Limited ("Canada Land") since 1972. Canada Land engaged in real estate development and tourist attraction business, listed in 1994 on the Australian Stock Exchange and was privatized in May 2013. He remains as the chairman of Canada Land. Dr. Yip is also an independent non-executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He was also the chairman of Cantravel Limited, Guangzhou since 1996 and became a director in October 2013. Dr. Yip has been active in public services and has been appointed as an honorary standing committee member of The Chinese General Chamber of Commerce (November 2012—October 2022) and the president of Concordia University Hong Kong Foundation Limited and chairman of Board of Governors, Canadian University Association in Hong Kong. He had been the president (1998–2000) and currently the member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong, and the fellow member of The Hong Kong Institute of Directors. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Mr. Au Man Chu, aged 67, has been appointed as an independent non-executive Director and a member of the audit committee of the Company since August 2011. Mr. Au holds a Bachelor of Commerce degree from the University of Alberta in Canada and is a member of The Canadian Institute of Chartered Accountants. Mr. Au was an executive director of Noble Group Limited (a company listed in Singapore) from 1 December 1995 to 31 December 2003 and was re-designated as a non-executive director since 1 January 2004 and retired from its board on 16 April 2015. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Mr. Au was a director of Hong Kong International Film Festival Society Limited since 7 December 2005 and retired from its board on 7 November 2016.

Mr. Wong Kwai Lam, aged 68, has been appointed as an independent non-executive Director and a member of the remuneration committee since August 2011 as well as a member of the nomination committee (appointed in March 2012) of the Company. Mr. Wong obtained a degree of Bachelor of Arts from The Chinese University of Hong Kong ("CUHK") in 1972 and a Ph. D from Leicester University, England in 1977. He has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Limited ("Merrill Lynch") from May 1993 to August 2009 where he served as a managing director in the Asia investment banking division since January 1995. Mr. Wong was appointed as a senior client advisor to Merrill Lynch in September 2009 and served in that position for one year. In his 17 years of experience in various senior positions with Merrill Lynch, Mr. Wong's responsibilities included, among others, managing the overall business of its Asia investment banking division from March 2003 to May 2005. Prior to joining Merrill Lynch, Mr. Wong had been a director in the investment banking division of CS First Boston (Hong Kong) Limited and a director and the head of primary market in Standard Chartered Asia Limited. Mr. Wong is currently the chairman of IncitAdv Consultants Limited and Opera Hong Kong Limited. Mr. Wong has been appointed as a member of the investment sub-committee and a vice chairman of the Board of Trustees of New Asia College of CUHK. He was appointed as a member of the Advisory Board of Continuing and Professional Studies of CUHK with effect from August 2017. Mr. Wong is an independent non-executive director and chairman of the remuneration and appraisal committee and a member of the audit committee of China Merchants Bank Company Limited (a public listed company on the Main Board of the HK Stock Exchange and The Shanghai Stock Exchange). Mr. Wong is also an independent non-executive director and a member of the audit committee and designated (finance) committee of ARA Asset Management (Prosperity) Limited as the manager of Prosperity Real Estate Investment Trust (a publicly-listed company on the Main Board of the HK Stock Exchange). In April 2013, Mr. Wong was also appointed as an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHIL") (a publicly-listed company on the Main Board of the HK Stock Exchange) and LHIL Manager Limited ("LHIL Manager") which is the trustee-manager of Langham Hospitality Investments. Mr. Wong is the chairman of the audit committee of LHIL and LHIL Manager, and a member of the remuneration committee and nomination committee of LHIL. In December 2015, Mr. Wong has been appointed as an independent non-executive director of both Hutchison Port Holdings Trust ("HPH Trust") (a company listed in Singapore) and Hutchison Port Holdings Management Pte. Limited (as the trustee-manager of HPH Trust). In addition, Mr. Wong was appointed as a member of the Hospital Governing Committee of The Prince of Wales Hospital, Hong Kong in April 2013 and has also been appointed as a director of CUHK Medical Centre Limited effective in February 2016. He was formerly a member of the Advisory Committee to the Securities and Futures Commission in Hong Kong, a member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a member of the China Committee to the Hong Kong Trade Development Council. Save as disclosed herein, he has no previous directorships in other publicly-listed companies in the last 3 years.

SENIOR MANAGEMENT

Assisted by head of departments, the executive Directors are under the direct responsibilities for the business and operations of the Group and the executive Directors are therefore regarded as the senior management of the Company.

Report of the Directors

The Directors have pleasure in presenting to the Shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 ("2017 Financial Statements").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Our principal subsidiaries, joint ventures and associated companies are primarily engaged in property development and property investment in Hong Kong, Mainland China and Singapore, and their activities are set out in note 43 to the 2017 Financial Statements.

Further discussion and analysis of these activities, including a fair review of the Group's business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017, and an indication of likely future development in the Group's business, can be founded in the sections headed "Five Years Summary", "Statement from the Chairman", "Management Discussion and Analysis", "Management Chatroom", "Investor Relations", "Corporate Social Responsibility" and "Corporate Governance Report" of this annual report as well as the Environmental, Social and Governance Report available on the websites of both Hong Kong Exchanges and Clearing Limited and the Company. The above sections form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The 2017 Financial Statements on pages 70 to 142 of this annual report set out the results of the Group for the year ended 31 December 2017.

An interim scrip dividend (with a cash option) of HK$0.05 per ordinary share of the Company ("Share") was paid during the year. The Board recommends the payment of a final scrip dividend (with a cash option) of HK$0.13 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK$0.18 (2016: HK$0.18 per Share). Details of dividends are set out in note 16 to the 2017 Financial Statements.

SHARES ISSUED

Note 29 to the 2017 Financial Statements contains details of the shares issued by the Company during the year and the increase in issued share capital of the Company during the year was due to exercise of options and allotment of new Shares for scrip dividends.

DEALINGS IN LISTED SECURITIES

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme described below, the Group has not entered into any equity-linked agreements during the year.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2017, calculated under Companies Act 1981 of Bermuda, amounted to HK$1,530,114,000 (2016: HK$1,571,039,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK$24,389,000 (2016: HK$2,438,000).

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2017 for investment and development purposes are set out on pages 143 to 144 of this annual report.

DIRECTORS

The Directors of the Company who served during the year and up to the date of this Report of the Directors were Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, Dr. Moses Cheng Mo Chi, Dr. Robin Chan Yau Hing, Dr. William Yip Shue Lam, Mr. Au Man Chu and Mr. Wong Kwai Lam.

Biographical details of the current Directors are set out on pages 50 to 53 of this annual report.

In accordance with bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Mr. Alexander Lui Yiu Wah, Mr. Au Man Chu and Mr. Wong Kwai Lam will retire by rotation at the forthcoming 2018 annual general meeting of the Company ("2018 AGM") and being eligible, will offer themselves for re-election.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of Shareholders at the 2018 AGM, the following fees in respect of year ended 31 December 2017 will be paid to the Directors:

	Chairman HK$	Member HK$
Board	220,000	190,000
Audit Committee	140,000	120,000
Remuneration Committee	60,000	50,000
Nomination Committee	60,000	50,000

DIRECTORS' EMOLUMENTS

The emoluments of the Directors of the Company (including executive Directors and independent non-executive Directors) on a named basis are set out in note 12 to the 2017 Financial Statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this Report of the Directors, no other significant transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted as at 31 December 2017 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2017, the interests and short positions of each Director in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to

Report of the Directors

be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities ("Listing Rules") on the HK Stock Exchange, were as follows:

(A) Ordinary Shares

	Number of Shares (including Underlying Shares)					
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Issued Share Capital
Lui Che-woo	29,393,563	8,317,120(1)	300,623,160(2)	1,564,689,836(3)	1,903,023,679	62.28
Francis Lui Yiu Tung	11,338,035	—	—	1,564,689,836(3)	1,576,027,871	51.58
Paddy Tang Lui Wai Yu	26,687,605	—	—	1,564,689,836(3)	1,591,377,441	52.08
Alexander Lui Yiu Wah	19,381,428	—	4,005,183(4)	1,564,689,836(3)	1,588,076,447	51.98
Moses Cheng Mo Chi	880,000	—	—	—	880,000	0.03
Robin Chan Yau Hing	2,749,188	—	—	—	2,749,188	0.09
William Yip Shue Lam	892,726	—	—	—	892,726	0.03
Au Man Chu	887,568	—	—	—	887,568	0.03
Wong Kwai Lam	1,080,000	—	—	—	1,080,000	0.04

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

(1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.

(2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.

(3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the discretionary beneficiaries of the discretionary family trust.

(4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

(B) Underlying Shares — Share Options

Details are set out in the SHARE OPTION SCHEME section below.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 31 December 2017, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2017, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited[(1)]	1,565,918,056	51.25
CWL Assets (PTC) Limited	1,564,689,836	51.21
Super Focus Company Limited	1,055,738,059	34.55
Star II Limited	256,393,070	8.39
Favor Right Investments Limited	205,669,344	6.73
Premium Capital Profits Limited	179,070,270	5.86
Lui Che Woo Foundation Limited	172,487,639	5.65

Note:

(1) HSBC International Trustee Limited is the trustee of a trust established by Dr. Lui Che-woo as the settlor.

There was duplication of interests of 1,564,689,836 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,055,738,059 Shares were interested by Super Focus Company Limited, 46,889,363 Shares were interested by Best Chance Investments Ltd., 205,669,344 Shares were interested by Favor Right Investments Limited, 179,070,270 Shares were interested between Premium Capital Profits Limited and Star II Limited and 77,322,800 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2017 the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") adopted by the Shareholders of the Company at its annual general meeting held on 20 June 2011 is summarized below:

(1) Purposes

(i) to attract and retain the best quality personnel for the development of the Company's businesses;

(ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and

(iii) to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

Report of the Directors

(2) Participants

(i) any selected employees of the Company or any affiliate and any senior executive or directors (including independent non-executive directors) of the Company or any affiliate; or

(ii) any consultants, agents, representatives or advisers of the Company or any affiliate; or

(iii) any persons who provide goods or services to the Company or any affiliate; or

(iv) any customers or contractors of the Company or any affiliate; or

(v) any business allies or joint venture partners of the Company or any affiliate; or

(vi) any trustee of any trust established for the benefit of employees; or

(vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

"Affiliate" means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of Shares available for issue

Mandate Limit — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 20 June 2011, being 255,195,221 Shares.

Overriding Limit — The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to the Shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As of the date of this annual report, the total number of Shares available for issue and the maximum number of options available to be granted under the Share Option Scheme were 57,998,000 and 173,709,221 respectively, which represented approximately 1.90% and 5.68% respectively of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue. However, subject to separate approval by the Shareholders in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) abstaining from voting and provided that the Company shall issue a circular to Shareholders before such approval is sought, the Company may grant a participant options which would exceed the aforesaid limit.

(5) Option period

The period during which an option may be exercised as determined by the Board in its absolute discretion at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it is vested

The minimum period, if any, for which an option must be held before it is vested shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of offer (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of grant of the relevant option but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet on the date of grant;

(ii) the average closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet for the five (5) business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(9) Effects of re-organisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of a capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue, consolidation or subdivision of shares or reduction of capital, such corresponding alterations (if any) shall be made to: (a) the number and/or nominal amount of Shares subject to the option so far as unexercised; (b) the subscription price; and/or (c) the maximum number of Shares subject to the Share Option Scheme, as the auditors shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalization issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any option holder is entitled to subscribe pursuant to the options held by him.

(10) The remaining life of the Share Option Scheme

The life span of the Share Option Scheme is 10 years commencing from 20 June 2011 and will expire on 19 June 2021.

Report of the Directors

Particulars of the movement of the options held by each of the Directors, and the employees of the Company and its affiliates and other qualifying grantees in aggregate under the Share Option Scheme during the year ended 31 December 2017, were as follows:

		Number of options						
Holders	Date of grant	Held at 1 January 2017	Granted during the year[(a)]	Exercised during the year	Lapsed during the year	Held at 31 December 2017	Exercise price per Share (HK$)	Exercise period
Lui Che-woo	27 Nov 2007	1,055,000	—	1,055,000[(b)]	—	—	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	2,358,000[(b)]	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	2,900,000	—	—	2,900,000	4.760	17 Jul 2018–16 Jul 2023
Francis Lui Yiu Tung	17 Jan 2012	1,400,000	—	—	—	1,400,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	1,500,000	—	—	—	1,500,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	1,300,000	—	—	—	1,300,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	1,300,000	—	—	—	1,300,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	1,300,000	—	—	1,300,000	4.760	17 Jul 2018–16 Jul 2023
Paddy Tang Lui Wai Yu	27 Nov 2007	940,000	—	—	940,000	—	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	500,000	—	500,000[(c)]	—	—	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	2,358,000[(d)]	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	2,900,000	—	—	2,900,000	4.760	17 Jul 2018–16 Jul 2023
Alexander Lui Yiu Wah	27 Nov 2007	990,000	—	990,000[(c)]	—	—	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	800,000[(c)]	—	—	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	2,900,000	—	—	2,900,000	4.760	17 Jul 2018–16 Jul 2023
Moses Cheng Mo Chi	17 Jan 2012	200,000	—	200,000[(e)]	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	160,000	—	—	160,000	4.760	17 Jul 2018–16 Jul 2023
Robin Chan Yau Hing	30 Sep 2014	160,000	—	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	160,000	—	—	160,000	4.760	17 Jul 2018–16 Jul 2023
William Yip Shue Lam	30 Sep 2014	160,000	—	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	160,000[(f)]	—	—	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	160,000	—	—	160,000	4.760	17 Jul 2018–16 Jul 2023
Au Man Chu	21 Jan 2013	200,000	—	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	160,000	—	—	160,000	4.760	17 Jul 2018–16 Jul 2023
Wong Kwai Lam	17 Jan 2012	200,000	—	200,000[(g)]	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	160,000	—	—	160,000	4.760	17 Jul 2018–16 Jul 2023
Employees and others (in aggregate)	27 Nov 2007	2,174,000	—	215,000[(h)]	1,959,000	—	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	55,000	—	11,000[(i)]	44,000	—	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	60,000	—	—	—	60,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	4,258,000	—	640,000[(j)]	100,000	3,518,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	5,030,000	—	390,000[(k)]	130,000	4,510,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	5,584,000	—	3,894,000[(l)]	160,000	1,530,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	—	8,280,000	—	30,000	8,250,000	4.760	17 Jul 2018–16 Jul 2023

Notes:

(a) The closing price of the Shares immediately before the date on which the options were granted during the year was HK$4.740 per share.

(b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.270 per share.

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.690 per share.

(d) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.370 per share.

(e) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.520 per share.

(f) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$3.630 per share.

(g) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.940 per share.

(h) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.978 per share.

(i) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.746 per share.

(j) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$5.209 per share.

(k) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$5.079 per share.

(l) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.814 per share.

No option was cancelled during the year.

Except for the options granted on 24 January 2008 which vested on 27 November 2008, all other options granted are subject to a one-year vesting period.

Except for the Share Option Scheme, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire Shares in or debentures of the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Company had the following continuing connected transactions, details of which are set out below:

1. On 27 October 2014, the Company as lessee and Polymate Co., Ltd. ("Polymate") (a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of a discretionary family trust established by Dr. Lui Che-woo and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the beneficiaries) as lessor had entered into the master lease agreement ("2014 Master Lease Agreement") in respect of the leasing and/or licensing of certain properties beneficially owned by the respective subsidiaries of Polymate for a term of 3-year period from 1 November 2014 to 31 October 2017 (both days inclusive). Since it was expected that the continuing connected transactions under the 2014 Master Lease Agreement shall continue after its expiration, the Company as lessee and Polymate as lessor had entered into another master lease agreement on 23 August 2017 ("2017 Master Lease Agreement") for a term of 3-year period from 1 November 2017 to 31 October 2020 (both days inclusive). Pursuant to the 2014 Master Lease Agreement and 2017 Master Lease Agreement, the amount of annual rent payable by the relevant subsidiaries of the Company to the respective subsidiaries of Polymate is subject to the annual caps ("Annual Caps") fixed for each corresponding financial year as disclosed in the announcements of the Company dated 27 October 2014 and 23 August 2017 ("Announcements") respectively. For the year ended 31 December 2017, the aggregate annual rent of HK$11,338,000 was paid and payable by the relevant subsidiaries of the Company under the 2014 Master Lease Agreement and 2017 Master Lease Agreement, which is within the Annual Caps.

Report of the Directors

The entering into of the 2014 Master Lease Agreement and 2017 Master Lease Agreement constituted as continuing connected transactions of the Company, with applicable percentage ratios more than 0.1% but less than 5%, was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the continuing connected transactions have been disclosed in the Announcements.

2. On 5 March 1997, KWP Quarry Co. Limited ("KWP") (a subsidiary of Galaxy Entertainment Group Limited) was awarded a contract (Contract No.GE/96/10) ("Contract") by the Government of the HKSAR for the quarrying rights and rehabilitation of the quarry at Tai Sheung Tok, Anderson Road, Kowloon ("Quarry"). On the same date, the Company had executed a guarantee in favour of the Government of the HKSAR in respect of the performance by KWP of its obligations under the Contract. Thereafter, the Contract was supplemented by the Second Supplementary Agreement, the Fourth Supplementary Agreement, the Fifth Supplementary Agreement and the Seventh Supplementary Agreement dated 5 May 2009, 23 February 2016, 30 August 2016 and 26 May 2017 respectively, all made between the Government of the HKSAR and KWP. On 31 July 2017, the site where the Quarry was located at was returned to the Government of the HKSAR. No annual cap was involved. Details of this continuing connected transaction were already disclosed in the announcement of the Company dated 10 November 2006.

The Board of Directors of the Company (including the independent non-executive Directors) had noted and approved the abovementioned continuing connected transactions. These continuing connected transactions have also been reviewed by the independent non-executive Directors of the Company who are not interested in any continuing connected transaction with the Company and they confirmed that these transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial term; and in accordance with the relevant agreements governing the respective transactions, on terms that are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HK Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no shareholders pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

DIRECTORS' COMPETING BUSINESS

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (collectively, the "Relevant Directors"), as either directly or indirectly through a discretionary family trust and other privately-owned companies, are deemed to be interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies ("Competing Business") may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm's length from, the Competing Business, given that the Company has a strong and independent Board with 5 out of 9 Directors being non-executive/independent non-executive Directors as at the date of this Report of the Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded.

Save as disclosed above, there is no other competing business interest between the Directors and his/her respective close associates and the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2017, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies. In compliance with the requirements of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined Balance Sheet HK$'000	Group's Attributable Interest HK$'000
Non-current assets	2,729,937	625,932
Current assets	34,941,483	9,363,813
Current liabilities	(981,690)	(315,684)
	36,689,730	9,674,061
Share capital	877,429	289,554
Reserves	7,859,613	2,001,118
Amounts due to shareholders	24,135,958	6,057,366
Non-current liabilities	3,816,730	1,326,023
	36,689,730	9,674,061

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2017 Financial Statements, is shown on pages 6 to 7 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017:

(1) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and

(2) the aggregate amount of purchases (not including the purchases of items which were of a capital nature) attributable to the Group's major suppliers of the Group's total of such purchases is as follow:

The largest supplier	44%
Five largest suppliers	72%

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers (suppliers of items which were not of a capital nature).

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

AUDITOR

The 2017 Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM.

On behalf of the Board

Lui Che-woo
Chairman and Managing Director

Hong Kong, 20 March 2018

Independent Auditor's Report

羅兵咸永道

To the Shareholders of K. Wah International Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of K. Wah International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 142, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated profit and loss statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Realisation of development properties held by the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to notes 3.5 (Summary of significant accounting policies), 5(a) (Critical accounting estimates and judgments), 8 and 18 (Notes to the consolidated financial statements)* The Group had investment properties of HK$12,599,451,000 as at 31 December 2017 for which fair value gains were recognised and presented as "fair value gain on transfer of development properties to investment properties" and "change in fair value of investment properties" respectively in the consolidated profit and loss statement. The Group's investment property portfolio comprises completed properties in Hong Kong and Mainland China. Independent valuers were engaged by the Group to determine the valuation of the Group's investment properties. The valuation of completed investment properties was arrived at using the income capitalisation method by considering the capitalised income derived from existing tenancies and the reversionary potential, including capitalisation rates and prevailing market rents, of the properties, and whenever appropriate, the direct comparison approach by reference to market evidence of recent market transaction prices of comparable properties. Significant judgment and estimates are applied in the valuation of investment properties.	We evaluated the independent valuers' competence, capabilities and objectivities, obtained the valuation reports and met with the independent valuers to discuss the valuation methodologies applied. We checked the accuracy of the input data, on a sample basis, used by the independent valuers in the valuation of properties including rental rates from existing tenancies and occupancy rates, by agreeing them to the underlying agreements with the tenants and the Group's record respectively. We also compared the recent market transaction prices of comparable properties used by the independent valuers, on a sample basis, to the published market transaction prices of these properties, where appropriate. We assessed the methodologies used by the valuers and the appropriateness of the key assumptions used in the valuation of properties by comparing published market yields for capitalisation rates, prevailing market rents of leasing transactions of comparable properties and recent market transaction prices of properties with comparable conditions and locations, where appropriate. We also involved our in-house valuation experts in the assessment of the valuation of selected investment properties. Based on the audit procedures performed, we found the valuation of investment properties were supportable in light of available evidence.

KEY AUDIT MATTERS (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Realisation of development properties held by the Group *Refer to notes 3.10 (Summary of significant accounting policies), 5(b) (Critical accounting estimates and judgments) and 24 (Notes to the consolidated financial statements)* Development properties is the key component of the net assets value attributable to the equity holders. The carrying value of development properties as at 31 December 2017 was HK$29,696,662,000. The Group's development properties portfolio comprises completed properties and properties under development in Hong Kong and Mainland China, which required management to apply significant judgment in their realisation assessment. Management assessed the realisation of the Group's development properties based on the net realisable value of the underlying properties. Significant judgment is applied in the estimation of the net realisable value, which takes into account the estimated future sales price based on current market price of properties of comparable locations and conditions, less applicable variable selling expenses and anticipated costs to completion.	We tested the key controls in relation to the development properties with particular focus on controls over cost budgeting and periodic review of the budgets. We understood management's assessment of the net realisable value of the underlying properties and assessed the reasonableness of key estimates adopted by management. For the estimated future sales price, we checked, on a sample basis, contracted sales price of the underlying properties and recent market transaction prices of properties with comparable nature and locations, where appropriate. For anticipated costs to completion, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to construction contracts and other documentation. Based on the audit procedures performed, we found that the estimates used in the calculation of the net realisable value were supportable in light of available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

Consolidated Profit and Loss Statement

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	7	**11,293,887**	9,619,956
Cost of sales		**(5,633,511)**	(5,096,500)
Gross profit		**5,660,376**	4,523,456
Other operating income		**220,923**	141,154
Other net gains		**48,531**	77,524
Fair value gain on transfer of development properties to investment properties	8	**1,275,065**	345,936
Change in fair value of investment properties		**458,631**	107,640
Other operating expenses		**(608,661)**	(567,094)
Administrative expenses		**(493,379)**	(427,632)
Finance costs	9	**(20,353)**	(22,308)
Share of profits of joint ventures		**131,430**	102,807
Share of profits of associated companies		**62,764**	790,363
Profit before taxation	10	**6,735,327**	5,071,846
Taxation charge	14	**(2,218,052)**	(1,845,715)
Profit for the year		**4,517,275**	3,226,131
Attributable to:			
Equity holders of the Company		**3,906,182**	3,181,996
Non-controlling interests		**611,093**	44,135
		4,517,275	3,226,131
		HK cents	HK cents
Earnings per share	15		
Basic		**128.18**	107.62
Diluted		**127.78**	107.34

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**4,517,275**	3,226,131
Other comprehensive income/(loss):		
Items that may be reclassified to profit and loss:		
Change in fair value of non-current investment	**4,695,789**	1,519,226
Exchange differences arising from translation	**1,259,199**	(1,097,873)
Release of exchange reserve upon reduction of interest in subsidiaries	**(40,182)**	(61,541)
Other comprehensive income for the year	**5,914,806**	359,812
Total comprehensive income for the year	**10,432,081**	3,585,943
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**9,742,210**	3,616,649
Non-controlling interests	**689,871**	(30,706)
	10,432,081	3,585,943

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**447,913**	446,360
Investment properties	18	**12,599,451**	8,291,075
Leasehold land and land use rights	19	**14,684**	14,309
Joint ventures	20	**7,237,381**	976,552
Associated companies	21	**1,106,983**	1,278,491
Non-current investment	22	**10,187,750**	5,491,961
Deferred taxation assets	35	**119,663**	79,431
Other non-current assets	23	**585,192**	176,519
		32,299,017	16,754,698
Current assets			
Development properties	24	**29,696,662**	23,677,327
Inventories		**3,990**	2,055
Amounts due from associated companies	21	**3,674**	21,699
Debtors and prepayments	25	**2,118,931**	1,189,389
Land and tender deposits	26	**1,896,658**	1,185,500
Derivative financial instruments	34	**—**	938
Financial assets at fair value through profit or loss	27	**270,024**	142,567
Taxes recoverable		**368,954**	250,252
Cash and bank deposits	28	**5,848,809**	7,248,193
		40,207,702	33,717,920
Total assets		**72,506,719**	50,472,618
EQUITY			
Share capital	29	**305,546**	295,674
Reserves	31	**34,697,102**	25,064,023
Shareholders' funds		**35,002,648**	25,359,697
Non-controlling interests		**2,014,039**	1,766,770
Total equity		**37,016,687**	27,126,467

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**16,668,400**	6,934,991
Guaranteed notes	33	**998,863**	997,843
Derivative financial instruments	34	**—**	986
Deferred taxation liabilities	35	**2,147,108**	1,574,946
		19,814,371	9,508,766
Current liabilities			
Amounts due to joint ventures	20	**824,220**	559,343
Amounts due to associated companies	21	**415,839**	218,034
Creditors and accruals	36	**2,213,195**	1,698,815
Pre-sales deposits		**7,731,214**	5,798,541
Current portion of borrowings	32	**811,587**	1,366,069
Current portion of guaranteed notes	33	**—**	1,713,719
Derivative financial instruments	34	**615**	5,004
Taxes payable		**3,678,991**	2,477,860
		15,675,661	13,837,385
Total liabilities		**35,490,032**	23,346,151
Total equity and liabilities		**72,506,719**	50,472,618
Net current assets		**24,532,041**	19,880,535
Total assets less current liabilities		**56,831,058**	36,635,233

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	37(a)	**(1,932,795)**	5,461,223
Tax paid		**(860,083)**	(1,083,229)
Interest paid		**(336,921)**	(394,890)
Net cash (used in)/generated from operating activities		**(3,129,799)**	3,983,104
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,878)**	(9,531)
Advances to joint ventures		**(6,164,976)**	(36,470)
Repayments from joint ventures		**309,325**	320,769
Advances to associated companies		**(41,398)**	(35,298)
Repayments from associated companies		**216,580**	356,805
Increase in financial assets at fair value through profit or loss		**(104,046)**	(139,619)
Net settlement (loss)/gain on derivative financial instruments		**(7,680)**	12,403
Decrease/(increase) in bank deposits		**306,358**	(620,357)
Proceeds from disposal of property, plant and equipment		**203**	206
Interest received		**79,811**	62,699
Dividends received from associated companies		**274,920**	30,300
Dividend received from a joint venture		**—**	80
Dividend income from non-current investment		**95,866**	53,620
Net cash used in investing activities		**(5,043,915)**	(4,393)
Cash flows from financing activities			
Issue of new shares		**42,453**	636
Proceeds from borrowings and guaranteed notes	37(b)	**19,962,200**	6,200,670
Repayments of borrowings and guaranteed notes	37(b)	**(12,615,488)**	(7,805,682)
Capital contribution from non-controlling interests		**53,630**	319,956
Repayment of capital to non-controlling interests		**(476,313)**	—
Dividends paid to non-controlling interests		**(19,919)**	(34,067)
Dividends paid to shareholders		**(150,380)**	(90,482)
Net cash from/(used in) financing activities		**6,796,183**	(1,408,969)
Net (decrease)/increase in cash and cash equivalents		**(1,377,531)**	2,569,742
Cash and cash equivalents at beginning of year		**6,616,555**	4,301,234
Changes in exchange rates		**250,890**	(254,421)
Cash and cash equivalents at end of year		**5,489,914**	6,616,555

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	**295,674**	**6,234,108**	**18,829,915**	**25,359,697**	**1,766,770**	**27,126,467**
Comprehensive income						
Profit for the year	**—**	**—**	**3,906,182**	**3,906,182**	**611,093**	**4,517,275**
Other comprehensive income						
Other comprehensive income for the year	**—**	**5,836,028**	**—**	**5,836,028**	**78,778**	**5,914,806**
Transactions with equity holders						
Fair value of share options	**—**	**8,668**	**—**	**8,668**	**—**	**8,668**
Issue of shares upon exercise of share options	**1,377**	**41,076**	**—**	**42,453**	**—**	**42,453**
Lapse of share options	**—**	**(4,784)**	**4,784**	**—**	**—**	**—**
Shares issued as scrip dividends	**8,495**	**(8,495)**	**—**	**—**	**—**	**—**
Reserve arising on scrip dividends	**—**	**—**	**385,775**	**385,775**	**—**	**385,775**
Capital contribution from non-controlling interests	**—**	**—**	**—**	**—**	**53,630**	**53,630**
Repayment of capital to non-controlling interests	**—**	**—**	**—**	**—**	**(476,313)**	**(476,313)**
Dividends	**—**	**—**	**(536,155)**	**(536,155)**	**(19,919)**	**(556,074)**
At 31 December 2017	**305,546**	**12,106,601**	**22,590,501**	**35,002,648**	**2,014,039**	**37,016,687**
At 1 January 2016	283,959	5,804,068	15,737,146	21,825,173	1,511,587	23,336,760
Comprehensive income						
Profit for the year	—	—	3,181,996	3,181,996	44,135	3,226,131
Other comprehensive income/(loss)						
Other comprehensive income/(loss) for the year	—	434,653	—	434,653	(74,841)	359,812
Transactions with equity holders						
Fair value of share options	—	7,721	—	7,721	—	7,721
Issue of shares upon exercise of share options	30	606	—	636	—	636
Lapse of share options	—	(1,255)	1,255	—	—	—
Shares issued as scrip dividends	11,685	(11,685)	—	—	—	—
Reserve arising on scrip dividends	—	—	396,670	396,670	—	396,670
Capital contribution from non-controlling interests	—	—	—	—	319,956	319,956
Dividends	—	—	(487,152)	(487,152)	(34,067)	(521,219)
At 31 December 2016	295,674	6,234,108	18,829,915	25,359,697	1,766,770	27,126,467

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

K. Wah International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are property development and investment in Hong Kong, Mainland China and Singapore.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 20 March 2018.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention as modified by the revaluation of investment properties, non-current investment, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of consolidated financial statements in conformity with all applicable HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2016, except as stated below.

The adoption of revised HKFRSs

In 2017, the Group adopted the following amendments to standards, which are relevant to its operations.

HKAS 7 (Amendment)	Statement of Cash Flows — Disclosure Initiative
HKAS 12 (Amendment)	Income Taxes — Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The Group has assessed the impact of the adoption of these amendments to standards and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements. The disclosure of changes in liabilities arising from financing activities under HKAS 7 (Amendment) is set out in note 37(b).

2 BASIS OF PREPARATION (cont'd)

Amendment to standards that is not yet effective but has been early adopted

The following amendment to standards was early adopted by the Group from 1 January 2017.

HKAS 40 (Amendment)	Investment Property — Transfers of Investment Property

The amendment to HKAS 40 clarifies that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets the definition of investment property; and (b) supporting evidence that a change in use has occurred. The amendment also re-characterises the list of circumstances in the standard as a non-exhaustive list of examples. The Group considers that the revised standard better reflects the intended use of the properties of the Group, and has early adopted the amended standard. Accordingly, the impact to the Group was reflected in the consolidated financial statements.

New standards and amendments and interpretations to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Venture	1 January 2019
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2014–2016 Cycle		1 January 2018
Annual Improvements to HKFRSs 2015–2017 Cycle		1 January 2019

The Group will adopt the above new standards and amendments and interpretations to standards as and when they become effective. The Group has commenced an assessment of the likely impact of adopting the above new standards and amendments and interpretations to standards, in which the preliminary assessment of HKFRS 9, HKFRS 15 and HKFRS 16 is detailed below. The Group will continue to assess the impact in more details.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (cont'd)

New standards and amendments and interpretations to standards that are not yet effective (cont'd)

HKFRS 9 'Financial Instruments'

The new standard addresses and introduces new requirements for the classification, measurement and derecognition of financial instruments, hedge accounting and a new impairment model for financial assets.

The non-current investment currently classified as available-for-sale financial assets for which a fair value through other comprehensive income (FVOCI) election is available and hence there will be no change to the accounting for these assets. The other financial assets held by the Group include unlisted pool funds that are currently measured at fair value through profit or loss will continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. However, gains or loss realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

The Group does not expect a significant impact under the new hedge accounting rules as the Group does not have any such hedging.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision is determined based on the 12-month expected credit losses which are not material to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 BASIS OF PREPARATION (cont'd)

New standards and amendments and interpretations to standards that are not yet effective (cont'd)

HKFRS 15 'Revenue from Contracts with Customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

  The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for completion as allocated to the contract.

  The timing of revenue recognition for certain development properties, which is currently based on whether significant risks and rewards of ownership of properties have been transferred, will be recognised at a later point in time when the underlying property is legally and/or physically transferred to the customer. Revenue for certain pre-sale properties transactions may be recognised earlier over time during the construction.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 BASIS OF PREPARATION (cont'd)

New standards and amendments and interpretations to standards that are not yet effective (cont'd)

HKFRS 16 'Leases'

The new standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases.

At 31 December 2017, the Group had operating lease commitments of HK$31 million. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from the above, there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out below.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by- acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associated companies

Associated companies are entities over which the Group has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of its associated companies post-acquisition profits or losses is recognised in the consolidated profit and loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(b) Associated companies (cont'd)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the consolidated profit and loss statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated profit and loss statement.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the interest in the joint ventures held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3.3 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.4 Property, plant and equipment

Land and buildings comprise mainly offices and hotel building. Leasehold land classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

The carrying amount of the replaced asset is derecognised. All other repairs and maintenance costs are charged to the profit and loss statement during the financial period in which they are incurred.

All direct and indirect costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalised as the costs of the assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Buildings (including hotel building) on leasehold land are depreciated over their shorter useful life or respective lease periods using the straight-line method. No depreciation is provided on assets under construction. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Hotel building	20 years
Land and buildings	Shorter of remaining lease term or useful life
Plant and machinery	10 years
Other assets	3 to 10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss statement.

3.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property principally comprises leasehold lands and buildings. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuers. Fair value is based on valuations carried out by professional valuers. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the profit and loss statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied or is developed with a view to owner-occupation, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use rights if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in other comprehensive income as revaluation reserves of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this write-back is recognised in the profit and loss statement. This revaluation reserve shall remain and be transferred to retained earnings upon disposal of this property.

If a development property becomes an investment property when there is a change in use, any difference resulting between the fair value of the property at that date and its previous carrying amount is recognised in the profit and loss statement. A change in use would involve an assessment of whether a property meets the definition of investment property and supporting evidence that a change in use has occurred. A change in intention, in isolation, is not enough to support a transfer.

3.6 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation, but are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivable, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be settled within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months from the balance sheet date; otherwise, they are classified as non-current.

(b) Loans and receivable

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the balance sheet date and are classified as non-current assets.

(c) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current investments unless the investments mature or management intends to dispose of the investment within twelve months from the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss statement and subsequently carried at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments are initially recognised at fair value plus transaction cost and subsequently carried at fair value. Loans and receivable are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss statement in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from the financial assets. Dividends on available-for-sale equity instruments are recognised in the profit and loss statement as part of other income when the Group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.8 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly recognised in profit and loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss statement.

(b) Available-for-sale investments

In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial assets below its cost is also evidenced that the financial assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost (less any impairment loss previously recognised in the profit and loss statement) and the current fair value, is reclassified from the equity to the profit and loss statement. Impairment losses recognised in the profit and loss statement on equity investments are not reversed through the profit and loss statement.

3.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative is classified as a non-current asset or liability when the remaining maturity is more than twelve months, and as a current asset or liability when the remaining maturity of the contract is less than twelve months. Changes in fair value of derivatives are recognised in the profit and loss statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Development properties

Development properties comprise leasehold land and land use rights, construction costs, an appropriate proportion of overhead expenditure and borrowing costs incurred during the construction period, less provisions for impairment. Development properties are carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated costs to completion.

Development properties are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.11 Inventories

Inventories comprise primarily operating supplies, food and beverages, engineering spare parts and guest supplies. Operating supplies, food and beverages are stated at the lower of cost and net realisable value. Engineering spare parts and guest supplies are stated at lower of cost and net realisable value and expensed when consumed. Costs are assigned to individual items on the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or other financial reorganisation and default or delinquency in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the profit and loss statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited against other operating income in the profit and loss statement.

If the collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.13 Mortgage loans receivable

First mortgage loans receivable is initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. Second mortgage loans receivable is classified as loans and receivable and is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Mortgage loans receivable is classified as current assets if expected to be settled within twelve months from the balance sheet date; otherwise, is classified as non-current.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Borrowings and guaranteed notes

Borrowings and guaranteed notes are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability including fees and commissions to agents, advisers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Borrowings and guaranteed notes are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings and guaranteed notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.17 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade creditors are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the Group has substantially of all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit and loss statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Current and deferred taxation (cont'd)

Deferred taxation liability are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint arrangements, except for deferred taxation liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated companies. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred taxation liability in relation to taxable temporary differences arising from the associated company's undistributed profits is not recognised.

Deferred taxation assets are recognised on deductible temporary differences arising from investments in subsidiaries, associated companies and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

(a) Employee entitlements, benefits and bonuses

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expense in the financial period when they are due. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Employee benefits (cont'd)

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sales. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and is shown, net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities of the Group have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of properties

Sales of properties in the ordinary course of business are recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to the buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as pre-sales deposits of properties under current liabilities.

(b) Rental income

Rental income net of any incentives given to the lessees is recognised over the periods of the respective leases on a straight-line basis.

(c) Hotel operation income

Hotel operation income is recognised when the services are rendered.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the outstanding principal amounts and the applicable interest rates.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the profit and loss statement within 'Other net gains/losses'. Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity.

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale investments are included in the investment reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;

(ii) income and expenses for each profit and loss statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the balance sheet date. Exchange differences arising are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Foreign currencies (cont'd)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.25 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the balance sheet date, the Group recognised the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its joint ventures and associated companies as insurance contracts.

3.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The property industry is sensitive to the economic environment in Hong Kong and Mainland China, which will affect the volumes and selling prices of property transactions. The Group mainly relies on sales of properties, renewal of bank borrowings and issuance of guaranteed notes to fund its operations.

Risk management is carried out by the management of the Group under the supervision of the Board of Directors. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group. The Board of Directors provides guidance for overall risk management.

4.1 Financial risk factor

4.1.1 Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, Mainland China and Singapore and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB").

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the entities in the Group.

All the Group's borrowings are denominated in the functional currency of the entities to minimise the foreign currency risk.

The Group would also consider entering into forward foreign exchange contracts to reduce foreign exchange risk exposure where necessary. The Group does not hedge any net investments in foreign operations.

At 31 December 2017, if Hong Kong dollar had weakened or strengthened by 3% (2016: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been lower or higher by approximately HK$2 million (2016: higher or lower by HK$3 million) mainly as a result of foreign exchange gains/losses arising from cash at banks.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.1 Market risk (cont'd)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, amount due from a joint venture, mortgage loans receivable and bank loans.

The interest rate risk arises primarily from borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk.

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments.

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. At 31 December 2017, if interest rates had been increased or decreased by 1% (2016: 1%) with all other variables held constant, the profit before taxation for the year (before capitalisation) would decrease or increase by approximately HK$110 million (2016: HK$12 million) mainly as a result of higher or lower interest expenses.

(iii) Price risk

The Group is exposed to equity securities price risk through investments held by the Group classified as available-for-sale investments which are publicly traded and financial assets at fair value through profit or loss.

At 31 December 2017, if the share price of the available-for-sale investments had been increased or decreased by 10% (2016: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK$1,019 million (2016: HK$549 million).

At 31 December 2017, if the trade price of the financial assets at fair value through profit or loss had been increased or decreased by 10% (2016: 10%) with all other variables held constant, the profit before taxation for the year would increase or decrease by approximately HK$27 million (2016: HK$14 million).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.2 Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, mortgage loans receivable, bank deposits, amounts due from joint ventures and associated companies.

The Group has policies in place to ensure that sales of properties, goods and services are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors and loan receivable on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In respect of credit exposures to customers for sales of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sales transactions. For mortgage loans receivable, credit assessments are carried out before approving loans to the customers. Regular review with stringent monitoring procedures are conducted for overdue debts. With regard to credit exposure to customers for rental of properties, the Group also receives rental payments in advance with sufficient initial rental deposits to cover potential default in future rental payments. The Group monitors the credibility of joint ventures and associated companies continuously.

At each balance sheet date, the Group reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts.

The credit risk on liquid funds is limited because around 81% (2016: 73%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 19% (2016: 27%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank. Management does not expect any losses from non- performance of these banks.

4.1.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. It prepares cash flow forecasts to assess funding needs on a regular basis and, if necessary, obtains financing to meet the funding requirement.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby credit facilities are obtained from banks to provide contingent liquidity support. As at 31 December 2017, the Group's total undrawn facilities amounted to HK$1.1 billion (2016: HK$11.8 billion).

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting the construction progress of development properties, implementing cost control measures and accelerating sales with more flexible pricing. The Group will, base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.3 Liquidity risk (cont'd)

The contractual maturity of the Group for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay and include both interest and principal, is set out below.

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2017					
Borrowings	**1,205,306**	**3,174,152**	**14,362,437**	**—**	**18,741,895**
Guaranteed notes	**44,730**	**44,730**	**1,067,729**	**—**	**1,157,189**
Net settled derivative financial instruments	**1,130**	**—**	**—**	**—**	**1,130**
Trade creditors	**1,749,118**	**—**	**—**	**—**	**1,749,118**
Other creditors and accruals	**278,210**	**—**	**—**	**—**	**278,210**
Amounts due to joint ventures	**824,220**	**—**	**—**	**—**	**824,220**
Amounts due to associated companies	**415,839**	**—**	**—**	**—**	**415,839**
Total	**4,518,553**	**3,218,882**	**15,430,166**	**—**	**23,167,601**
At 31 December 2016					
Borrowings	1,554,056	538,603	6,820,834	—	8,913,493
Guaranteed notes	1,642,396	44,713	1,112,562	—	2,799,671
Net settled derivative financial instruments	5,500	3,687	—	—	9,187
Gross settled derivative financial instruments					
— inflow	(1,550,408)	—	—	—	(1,550,408)
— outflow	1,555,700	—	—	—	1,555,700
Trade creditors	1,236,333	—	—	—	1,236,333
Other creditors and accruals	308,367	—	—	—	308,367
Amounts due to joint ventures	559,343	—	—	—	559,343
Amounts due to associated companies	218,034	—	—	—	218,034
Amounts due to non-controlling interests	5,157	—	—	—	5,157
Total	5,534,478	587,003	7,933,396	—	14,054,877

Note:

The table above excludes guarantees executed by the Group as management considers the likely crystallisation of the guarantees to be as minimal.

Interest on borrowings and guaranteed notes are calculated on balances held as at 31 December 2017 and 2016. Floating-rate interest is estimated using the current interest rate as at 31 December 2017 and 2016 respectively.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of borrowings and equity.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net borrowings to total equity. Net borrowings is calculated as total borrowings, including current, non-current borrowings and guaranteed notes, less cash and bank deposits.

The gearing ratio is calculated as follows:

	2017 **HK$'000**	2016 HK$'000
Total borrowings	**18,478,850**	11,012,622
Less: Cash and bank deposits	**(5,848,809)**	(7,248,193)
Net borrowings	**12,630,041**	3,764,429
Total equity	**37,016,687**	27,126,467
Gearing ratio	**34%**	14%

4.3 Fair value estimation

The disclosure of fair value measurements of financial instruments carried at fair value by level in the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Hong Kong listed equity investments classified as available-for-sale investment (note 22).

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over- the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in Level 2.

Instruments included in Level 2 comprise financial assets at fair value through profit or loss (note 27) and derivative financial instruments (note 34).

There was no transfer of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates.

The fair values of financial instruments that are not traded in an active market, which include unlisted pooled fund are determined with reference to quoted market price provided by the bank which may use established valuation techniques to ascertain the price.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, balances with joint ventures and associated companies, debtors, tender deposits, bank balances, creditors and current borrowings are assumed to approximate their fair values.

See note 18 for disclosures of the investment properties that are measured within level 3 of the fair value hierarchy.

The fair value of first mortgage loans receivable (note 23) is determined using discounted cash flow valuation techniques with reference to the lending rates from financial institution and is measured within level 3 of the fair value hierarchy.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

(a) Fair values of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(a) Fair values of investment properties (cont'd)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using valuation techniques as disclosed in note 18. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

(b) Provision for development properties

The Group assesses the carrying amounts of properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

(c) Current and deferred taxation and land appreciation tax

Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such difference will impact the provision for current and deferred taxation in the financial period in which such determination is made.

The Group is subject to land appreciation tax in Mainland China. However, the actual implementation of this tax is uncertain and varies amongst local tax authorities. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related tax provision. The Group recognises land appreciation tax based on best estimates according to the understanding of the tax rules. The final taxation outcome could be different from the amounts that were initially recorded, and these differences will impact the provision for taxation in the financial period in which such determination is made.

Deferred taxation assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Share-based payments

The fair value of option granted is estimated by an independent professional valuer based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(e) Impairment of non-financial assets

The Group tests at each balance sheet date whether assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(f) Recoverability of other non-current assets and debtors

The Group assess whether there is objective evidence that other non-current assets and debtors are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these non-current assets and debtors will impact the amount of impairment required.

(g) Revenue recognition

The Group has recognised revenue from the sale of properties as disclosed in note 7 according to the accounting policy as stated in note 3.23 to the consolidated financial statements. The assessment of when the Group has transferred the significant risks and rewards of ownership to buyers and whether it is probable that future economic benefit will flow to the Group requires the use of judgment. In making this judgment, the Group evaluates the circumstances of the transaction, the terms under the sales and purchase agreement and settlement status of consideration.

6 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development and property investment. The Group regards the Board of Directors as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net gains, fair value gain on transfer of development properties to investment properties and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Notes to the Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, land and tender deposits, financial assets at fair value through profit or loss, taxes recoverable, cash and bank deposits and other assets mainly include non-current investment, derivative financial instruments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, pre-sales deposits, amounts due to joint ventures and associated companies, borrowings, guaranteed notes, derivative financial instruments, taxes payable and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

	Property development			Property investment	Others	Total
	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017						
Revenue	5,399,461	5,324,044	—	463,630	106,752	11,293,887
Adjusted EBITDA	1,902,210	3,134,452	(3,101)	370,691	(205,825)	5,198,427
Other income and expenses/gains, net						(339,207)
Depreciation and amortisation						(31,430)
Fair value gain on transfer of development properties to investment properties				1,275,065		1,275,065
Change in fair value of investment properties				458,631		458,631
Finance costs						(20,353)
Share of profits/(losses) of joint ventures	135,413	(3,983)				131,430
Share of profits of associated companies	62,764					62,764
Profit before taxation						6,735,327
Taxation charge						(2,218,052)
Profit for the year						4,517,275
As at 31 December 2017						
Segment assets	19,334,857	20,824,513	149,506	12,911,490	—	53,220,366
Other assets	—	—	—	—	10,938,315	10,938,315
Joint ventures	6,766,148	471,233	—	—	—	7,237,381
Associated companies	1,110,657	—	—	—	—	1,110,657
Total assets	27,211,662	21,295,746	149,506	12,911,490	10,938,315	72,506,719
Total liabilities	17,583,923	15,489,392	648	2,356,300	59,769	35,490,032

6 SEGMENT INFORMATION (cont'd)

	Property development			Property investment	Others	Total
	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016						
Revenue	3,266,978	5,857,652	—	392,697	102,629	9,619,956
Adjusted EBITDA	895,050	3,086,042	(3,199)	346,765	(192,286)	4,132,372
Other income and expenses/gains, net						(348,416)
Depreciation and amortisation						(36,548)
Fair value gain on transfer of development properties to investment properties				345,936		345,936
Change in fair value of investment properties				107,640		107,640
Finance costs						(22,308)
Share of profits/(losses) of joint ventures	102,854	(47)				102,807
Share of profits of associated companies	790,363					790,363
Profit before taxation						5,071,846
Taxation charge						(1,845,715)
Profit for the year						3,226,131
As at 31 December 2016						
Segment assets	12,904,634	20,293,040	304,798	8,510,669	—	42,013,141
Other assets	—	—	—	—	6,182,735	6,182,735
Joint ventures	976,116	436	—	—	—	976,552
Associated companies	1,300,190	—	—	—	—	1,300,190
Total assets	15,180,940	20,293,476	304,798	8,510,669	6,182,735	50,472,618
Total liabilities	7,997,144	13,441,353	657	1,860,021	46,976	23,346,151
Year ended 31 December 2017						
Additions to non-current assets	**—**	**7,248**	**15**	**412**	**1,203**	**8,878**
Year ended 31 December 2016						
Additions to non-current assets	—	6,082	—	—	3,449	9,531

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in three (2016: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2017 and 2016 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2017 and 2016 by geographical area are as follows:

Revenue	2017 HK$'000	2016 HK$'000
Hong Kong	**5,468,814**	3,311,283
Mainland China	**5,825,073**	6,308,673
Singapore	**—**	—
	11,293,887	9,619,956

Non-current assets	2017 HK$'000	2016 HK$'000
Hong Kong	**2,940,511**	2,005,077
Mainland China	**10,121,355**	6,746,487
Singapore	**182**	180
	13,062,048	8,751,744

7 REVENUE

	2017 HK$'000	2016 HK$'000
Sale of properties	**10,723,505**	9,124,630
Rental income	**463,630**	392,697
Hotel operations	**106,752**	102,629
	11,293,887	9,619,956

8 FAIR VALUE GAIN ON TRANSFER OF DEVELOPMENT PROPERTIES TO INVESTMENT PROPERTIES

The amount represents fair value gain on transfer of certain development properties to investment properties in pursuance of the Group's strategy to increase the recurring income.

9 FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	**439,946**	485,590
Capitalised as cost of properties under development	**(419,593)**	(463,282)
	20,353	22,308

The capitalisation rates applied to funds borrowed generally and used for the development of properties are from 1% to 5% per annum (2016: 1% to 5% per annum).

10 PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit before taxation is stated after crediting:		
Interest income from banks	**80,350**	63,490
Interest income from a joint venture	**8,867**	—
Interest income from mortgage loans and others	**7,154**	1,845
Dividend income from non-current investment	**95,866**	53,620
Release of exchange reserve upon reduction of interest in subsidiaries	**40,182**	61,541
Net gain on settlement of derivative financial instruments	**—**	12,403
Net fair value gains on derivative financial instruments	**3,717**	11,404
Net fair value gains on financial assets at fair value through profit or loss	**9,464**	2,948
Net exchange gains	**2,904**	—
and after charging:		
Cost of properties sold	**5,525,278**	5,018,334
Cost of inventories consumed/sold	**20,869**	20,874
Selling and marketing expenses	**581,026**	537,160
Depreciation (net of amount capitalised under properties under development of HK$288,000 (2016: HK$227,000))	**31,310**	36,427
Amortisation for leasehold land and land use rights	**120**	121
Auditors' remuneration to the auditor of the Company		
Audit services	**4,527**	4,353
Non-audit services	**539**	1,146
Loss on disposal of property, plant and equipment	**56**	42
Operating lease rental for land and buildings	**8,041**	9,233
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	**32,322**	13,947
Direct operating expense of investment properties that did not generate rental income	**7,692**	3,489
Net loss on settlement of derivative financial instruments	**7,680**	—
Net exchange losses	**—**	10,730

11 EMPLOYEE BENEFIT EXPENSES

	2017 **HK$'000**	2016 HK$'000
Staff costs including directors' emoluments	**391,061**	341,699
Pension costs — defined contribution plans	**23,685**	22,254
Share options granted to directors and employees	**8,668**	7,721
	423,414	371,674
Less: Amount capitalised under properties under development	**(81,297)**	(72,099)
	342,117	299,575

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and Mandatory Provident Fund ("MPF") Schemes Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The contributions to the ORSO Scheme may be reduced by contributions forfeited in respect of those employees who leave the scheme prior to the full vesting of the contributions of the Group on the employee.

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to those plans at rates ranging from 13% to 20% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

During the year, contributions forfeited of HK$812,000 (2016: HK$1,129,000) were utilised, leaving no balance (2016: HK$13,000) available at the balance sheet date to reduce future contributions.

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	(note i)		(note ii)				
Name	Directors' fee	Estimated money value of other benefits (note iii)	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Estimated money value of other benefits (note iii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017							
Lui Che-woo	**330**	**—**	**12,573**	**4,030**	**1,316**	**1,320**	**19,569**
Francis Lui Yiu Tung	**190**	**—**	**1,553**	**498**	**155**	**592**	**2,988**
Paddy Tang Lui Wai Yu	**190**	**—**	**6,863**	**2,200**	**686**	**1,320**	**11,259**
Alexander Lui Yiu Wah	**190**	**—**	**9,331**	**2,991**	**933**	**1,320**	**14,765**
Robin Chan Yau Hing	**190**	**73**	**—**	**—**	**—**	**—**	**263**
William Yip Shue Lam	**440**	**73**	**—**	**—**	**—**	**—**	**513**
Moses Cheng Mo Chi	**310**	**73**	**—**	**—**	**—**	**—**	**383**
Au Man Chu	**310**	**73**	**—**	**—**	**—**	**—**	**383**
Wong Kwai Lam	**290**	**73**	**—**	**—**	**—**	**—**	**363**
	2,440	**365**	**30,320**	**9,719**	**3,090**	**4,552**	**50,486**
2016							
Lui Che-woo	300	—	12,089	1,453	1,267	1,344	16,453
Francis Lui Yiu Tung	160	—	1,493	180	149	624	2,606
Paddy Tang Lui Wai Yu	160	—	6,599	793	660	1,344	9,556
Alexander Lui Yiu Wah	160	—	8,972	1,078	897	1,344	12,451
Robin Chan Yau Hing	160	77	—	—	—	—	237
William Yip Shue Lam	410	77	—	—	—	—	487
Moses Cheng Mo Chi	211	77	—	—	—	—	288
Au Man Chu	280	77	—	—	—	—	357
Wong Kwai Lam	260	77	—	—	—	—	337
Poon Chung Kwong (iv)	162	—	—	—	—	—	162
	2,263	385	29,153	3,504	2,973	4,656	42,934

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings. The discretionary bonuses paid in 2017 were in relation to performance and services for 2016.

(iii) Other benefits represented share options granted to the Directors under the share option scheme of the Company. The value represented the fair value of these options charged to the profit and loss statement for the year in accordance with the accounting policies of the Group.

(iv) Resigned as an independent non-executive Director and a member of the Audit Committee of the Company on 31 July 2015.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.

Notes to the Consolidated Financial Statements

12 BENEFITS AND INTERESTS OF DIRECTORS (cont'd)

(b) Directors' material interests in transactions, arrangements or contracts

Pursuant to a guarantee dated 5 March 1997, the Company had given corporate guarantee in favour of the Hong Kong Government in respect of the contract for quarrying rights and rehabilitation of the quarry at Tai Sheung Tok Anderson Road to KWP Quarry Co. Limited ("KWP"). KWP is a subsidiary of Galaxy Entertainment Group Limited, which the substantial shareholder is the trustee of a discretionary family trust ("Trust") established by Dr. Lui Che-woo and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the beneficiaries. On 31 July 2017, the quarry site of the contract was returned to the Hong Kong Government. Pursuant to the master lease agreements dated 27 October 2014 and 23 August 2017, both made between the Company and Polymate Co., Ltd ("Polymate"), an aggregated annual rent of HK$11,338,000 for the year ended 31 December 2017 (2016: HK$15,850,000) was paid to Polymate, which is a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of the Trust.

On 15 January 2016, a subsidiary of the Company entered into four sales and purchase agreements with Dr. Lui Che-woo, being the Chairman and Managing Director of the Company and also a substantial shareholder of the Company, in respect of four residential units at a total consideration approximately HK$13,883,000. The transactions were based on prevailing market prices and completed in January 2017.

Save for the aforementioned contract and arrangement, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) Directors. The emoluments of the five individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	**34,109**	33,973
Pension cost — defined contribution plans	**3,290**	3,236
Discretionary bonuses	**15,664**	4,317
Share options granted	**4,345**	4,464
	57,408	45,990

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2017	2016
HK$3,000,001–HK$3,500,000	**—**	1
HK$4,000,001–HK$4,500,000	**—**	1
HK$5,000,001–HK$5,500,000	**1**	—
HK$6,000,001–HK$6,500,000	**1**	—
HK$9,500,001–HK$10,000,000	**—**	1
HK$11,000,001–HK$11,500,000	**1**	—
HK$12,000,001–HK$12,500,000	**—**	1
HK$14,500,001–HK$15,000,000	**1**	—
HK$16,000,001–HK$16,500,000	**—**	1
HK$19,500,001–HK$20,000,000	**1**	—
	5	5

14 TAXATION CHARGE

	2017 HK$'000	2016 HK$'000
Current		
Hong Kong profits tax	**261,175**	75,288
Mainland China		
— Income tax	**499,970**	535,792
— Land appreciation tax	**1,036,103**	1,198,433
Overseas	**141**	53
Over-provision in previous years	**(5,497)**	(990)
Deferred (note 35)	**426,160**	37,139
	2,218,052	1,845,715

14 TAXATION CHARGE (cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates. There is no income tax provided on other comprehensive income.

Land appreciation tax in Mainland China is normally provided at statutory progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the profit and loss statement as taxation charge.

The taxation charge on the profit before taxation differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

	2017 **HK$'000**	2016 HK$'000
Profit before taxation	**6,735,327**	5,071,846
Share of profits of joint ventures	**(131,430)**	(102,807)
Share of profits of associated companies	**(62,764)**	(790,363)
	6,541,133	4,178,676
Tax calculated at applicable tax rates	**1,379,137**	933,698
Income not subject to taxation	**(86,586)**	(57,343)
Expenses not deductible for taxation purposes	**35,296**	35,449
Recognition and utilisation of previously unrecognised tax losses	**(19,160)**	(42,736)
Tax loss not recognised	**30,066**	18,974
Land appreciation tax deductible for calculation of income tax	**(259,026)**	(287,108)
Over-provision in previous years	**(5,497)**	(990)
	1,074,230	599,944
Withholding tax	**107,719**	47,338
Land appreciation tax	**1,036,103**	1,198,433
Taxation charge	**2,218,052**	1,845,715

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following:

	2017 HK$'000	2016 HK$'000
Profit attributable to equity holders of the Company	**3,906,182**	3,181,996

	Number of shares	
	2017	2016
Weighted average number of shares for calculating basic earnings per share	**3,047,517,000**	2,956,615,000
Effect of dilutive potential ordinary shares — Share options	**9,339,000**	7,698,000
Weighted average number of shares for calculating diluted earnings per share	**3,056,856,000**	2,964,313,000

16 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim scrip dividend (with a cash option) of 5 HK cents (2016: Interim scrip dividend (with a cash option) of 5 HK cents) per share	**151,147**	146,376
Proposed final scrip dividend (with a cash option) of 13 HK cents (2016: final scrip dividend (with a cash option) of 13 HK cents) per share	**397,762**	385,008
	548,909	531,384
The dividends have been settled by cash as follows:		
Interim	**33,447**	27,900
Final	**—**	116,933
	33,447	144,833

The Board of Directors recommended the payment of final scrip dividend (with a cash option) in respect of 2017 of 13 HK cents (2016: final scrip dividend (with a cash option) of 13 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2018.

Notes to the Consolidated Financial Statements

17 PROPERTY, PLANT AND EQUIPMENT

	Hotel building HK$'000	Land and buildings HK$'000	Plant and machinery HK$'000	Other assets HK$'000	Total HK$'000
Cost					
At 1 January 2016	417,897	176,527	30,235	122,349	747,008
Exchange differences	(28,401)	(3,980)	(1,917)	(4,379)	(38,677)
Additions	—	—	12	9,519	9,531
Disposals	—	—	—	(2,502)	(2,502)
At 31 December 2016	389,496	172,547	28,330	124,987	715,360
Exchange differences	27,305	4,123	1,989	4,980	38,397
Additions	—	—	77	8,801	8,878
Disposals	—	—	—	(1,160)	(1,160)
At 31 December 2017	**416,801**	**176,670**	**30,396**	**137,608**	**761,475**
Accumulated depreciation					
At 1 January 2016	88,826	41,028	22,609	93,865	246,328
Exchange differences	(6,427)	(687)	(1,558)	(3,056)	(11,728)
Charge for the year	18,943	3,092	2,988	11,631	36,654
Disposals	—	—	—	(2,254)	(2,254)
At 31 December 2016	101,342	43,433	24,039	100,186	269,000
Exchange differences	7,722	807	1,697	3,639	13,865
Charge for the year	17,737	3,077	341	10,443	31,598
Disposals	—	—	—	(901)	(901)
At 31 December 2017	**126,801**	**47,317**	**26,077**	**113,367**	**313,562**
Net book value					
At 31 December 2017	**290,000**	**129,353**	**4,319**	**24,241**	**447,913**
At 31 December 2016	288,154	129,114	4,291	24,801	446,360

Land and buildings with carrying values of HK$129,353,000 (2016: HK$417,268,000, including hotel building) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

18 INVESTMENT PROPERTIES

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
At 1 January 2016	1,148,000	6,681,881	7,829,881
Exchange differences	—	(428,546)	(428,546)
Transfer from development properties	436,164	—	436,164
Fair value gain on transfer of development properties to investment properties	345,936	—	345,936
Change in fair value	(11,300)	118,940	107,640
At 31 December 2016	1,918,800	6,372,275	8,291,075
Exchange differences	—	486,508	486,508
Transfer from development properties	288,453	1,799,719	2,088,172
Fair value gain on transfer of development properties to investment properties	385,647	889,418	1,275,065
Change in fair value	264,100	194,531	458,631
At 31 December 2017	**2,857,000**	**9,742,451**	**12,599,451**

(a) Investment properties were valued at 31 December 2017 on an open market value basis by Cushman & Wakefield Limited, Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professional valuers.

(b) Investment properties with carrying values of HK$4,377,916,000 (2016: HK$4,148,686,000) were pledged to secure the banking facilities of the Group.

(c) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers and reports directly to senior management of the Group. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each financial year end the finance department:

— Verifies major inputs to the independent valuation report;
— Assesses property valuations movements when compared to the prior year valuation report;
— Holds discussions with the independent valuer.

18 INVESTMENT PROPERTIES (cont'd)

(d) Valuation technique

Fair value measurements using significant unobservable inputs

Fair values of completed residential and commercial properties are generally derived using the income capitalisation method or, where appropriate, by reference to direct comparison approach. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Direct comparison approach is based on sales prices of comparable properties in close proximity and adjusted for differences in key attributes such as property size.

There were no changes to the valuation techniques during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Information about the significant unobservable inputs used for the fair value measurements of completed residential and commercial properties valued under the income capitalisation method is as follows:

	Residential Properties		Commercial Properties	
	Hong Kong	Mainland China	Hong Kong	Mainland China
2017				
Rental value (HK$/sqm/month)	**414 to 664**	**253 to 370**	**269 to 1,615**	**34 to 736**
Capitalisation rate (%)	**2.00**	**3.50**	**3.25 to 6.00**	**5.50 to 9.25**
2016				
Rental value (HK$/sqm/month)	N/A	310 to 343	264 to 1,615	61 to 671
Capitalisation rate (%)	N/A	3.50	3.25 to 6.00	5.65 to 9.00

Note: Fair values of completed residential properties in Hong Kong in 2016 were derived using direct comparison approach.

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalisation and discount rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

19 LEASEHOLD LAND AND LAND USE RIGHTS

	2017 HK$'000	2016 HK$'000
At beginning of year	**14,309**	15,904
Exchange differences	**495**	(1,474)
Amortisation for the year	**(120)**	(121)
At end of year	**14,684**	14,309

Leasehold land and land use rights with carrying values of HK$3,607,000 (2016: HK$14,309,000) were pledged to secure the banking facilities of the Group.

20 JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	**1,281,963**	848,903
Amounts due from joint ventures	**5,955,418**	127,649
	7,237,381	976,552

The share of the aggregate amounts of the assets, liabilities and results of the joint ventures, all of which are unlisted, attributable to the Group is as follows:

	2017 HK$'000	2016 HK$'000
Assets	**8,697,412**	1,151,565
Liabilities	**(7,415,449)**	(302,662)
Net assets	**1,281,963**	848,903
Revenue	**300,445**	371,462
Profit after taxation	**131,430**	102,807
Other comprehensive income	**12,102**	221
Total comprehensive income	**143,532**	103,028
Dividend received from a joint venture	**—**	80

Amounts due from joint ventures classified as non-current assets are unsecured, will not be repayable within next 12 months and non-interest bearing (except for an amount of HK$163,737,000 (2016: nil) which carries interest at prevailing market rate). Amounts due from/to joint ventures classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single joint venture material to the Group.

Notes to the Consolidated Financial Statements

20 JOINT VENTURES (cont'd)

Details of joint ventures of the Group are given in note 43(b). There are no contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2017 and 31 December 2016.

All the joint ventures are private companies and there are no quoted market price available for their shares.

21 ASSOCIATED COMPANIES

	2017 **HK$'000**	2016 HK$'000
Share of net assets	**1,008,709**	1,220,865
Amounts due from associated companies	**98,274**	57,626
	1,106,983	1,278,491

The share of the aggregate amounts of the assets, liabilities and results of the associated companies, all of which are unlisted, attributable to the Group is as follows:

	2017 **HK$'000**	2016 HK$'000
Assets	**1,292,333**	1,597,721
Liabilities	**(283,624)**	(376,856)
Net assets	**1,008,709**	1,220,865
Revenue	**142,834**	2,578,373
Profit after taxation and total comprehensive income	**62,764**	790,363
Dividends received from associated companies	**274,920**	30,300

Amounts due from associated companies classified as non-current assets are unsecured, will not be repayable within next 12 months and non-interest bearing. Amounts due from/to associated companies classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single associated company material to the Group.

Details of associated companies of the Group are given in note 43(c). There are no contingent liabilities relating to the Group's interest in the associated companies as at 31 December 2017 and 31 December 2016.

All the associated companies are private companies and there are no quoted market price available for their shares.

22 NON-CURRENT INVESTMENT

	2017 HK$'000	2016 HK$'000
Listed equity securities, at fair value	**10,187,750**	5,491,961

The listed securities classified as available-for-sales financial assets represent the Group's 3.8% (2016: 3.8%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

23 OTHER NON-CURRENT ASSETS

	2017 HK$'000	2016 HK$'000
Maintenance deposits	**117,385**	79,459
Mortgage loans receivable	**467,807**	51,412
Other receivables	**—**	45,648
	585,192	176,519

Mortgage loans are advances to purchasers of development properties of the Group and are secured by first or second mortgages on the related properties. The current portion of the loans amounting to HK$11,028,000 (2016: HK$2,940,000) is included under other debtors. Mortgage loans receivable included first mortgage loans of HK$161,423,000 (2016: nil). The Group has not provided any impairment loss for its mortgage loans during the year (2016: nil).

24 DEVELOPMENT PROPERTIES

	Completed HK$'000	Under development HK$'000	2017 HK$'000	Completed HK$'000	Under development HK$'000	2016 HK$'000
Leasehold land and land use rights	**2,219,167**	**18,664,444**	**20,883,611**	1,990,249	12,332,696	14,322,945
Development costs	**3,225,344**	**5,587,707**	**8,813,051**	2,622,432	6,731,950	9,354,382
	5,444,511	**24,252,151**	**29,696,662**	4,612,681	19,064,646	23,677,327

Development properties with carrying values of HK$827,278,000 (2016: HK$7,703,287,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2017, development properties under development amounting to HK$14,639,367,000 (2016: HK$11,341,101,000) were not scheduled for completion within 12 months.

Notes to the Consolidated Financial Statements

25 DEBTORS AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Trade debtors	**1,274,660**	623,531
Other debtors	**251,894**	186,942
Prepayments and other deposits	**514,464**	175,383
Prepaid sales taxes	**77,913**	203,533
	2,118,931	1,189,389

The debtors and prepayments are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**1,397,017**	124,298
RMB	**721,257**	1,064,304
Singapore dollar	**657**	787
	2,118,931	1,189,389

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2017 HK$'000	2016 HK$'000
Within one month	**1,260,808**	487,811
Two to three months	**11,741**	84,045
Four to six months	**408**	39,980
Over six months	**1,703**	11,695
	1,274,660	623,531

25 DEBTORS AND PREPAYMENTS (cont'd)

Included in the trade debtors of the Group, carrying values of HK$1,260,808,000 (2016: HK$332,848,000) were not yet due and fully performing while the remaining amount of HK$13,852,000 (2016: HK$290,683,000) were past due but not impaired. These related to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade debtors is as follows:

	2017 **HK$'000**	2016 HK$'000
Within three months	**11,741**	239,008
Over three months	**2,111**	51,675
	13,852	290,683

The Group has not made provision for impairment for its trade and other debtors during the year (2016: nil). As at 31 December 2017, no trade and other debtors was impaired (2016: nil).

As at 31 December 2017, other debtors included a loan receivable of HK$89,377,000 (2016: HK$98,804,000) which is unsecured, interest-free, denominated in RMB and matured within a year. The loan was fully performing. The Group does not hold any collateral as security.

The carrying amounts of the debtors and prepayments approximate to their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

26 LAND AND TENDER DEPOSITS

Balance comprises land deposits for property development of HK$1,226,658,000 (2016: HK$505,000,000) and tender deposits of HK$670,000,000 (2016: HK$680,500,000).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represented unlisted pool funds in Mainland China denominated in RMB.

Notes to the Consolidated Financial Statements

28 CASH AND BANK DEPOSITS

	2017 HK$'000	2016 HK$'000
Short-term bank deposits maturing after three months	—	72,666
Structured bank deposits	**358,895**	558,972
	358,895	631,638
Cash at bank and in hand	**3,437,743**	4,118,234
Short-term and other bank deposits	**2,052,171**	2,498,321
Cash and cash equivalents	**5,489,914**	6,616,555
Cash and bank deposits	**5,848,809**	7,248,193

The cash and bank deposit include HK$2,491,148,000 (2016: HK$1,548,655,000) which have been pledged or assigned for specific purposes under certain conditions.

The structured bank deposits were principal-protected deposits denominated in RMB with fixed maturity dates of not more than 3 months and their interest rates range from 4.40% to 4.45% (2016: 3.1% to 3.2%) per annum, with reference to certain interest rate and foreign currency exchange rates. The Group used the deposits primarily to enhance the interest yield.

The effective interest rate on short-term and other bank deposits is 1.72% (2016: 1.43%) per annum, these deposits have an average of 45 days (2016: 46 days).

The cash and bank deposits are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**2,727,124**	2,105,196
RMB	**2,972,051**	4,838,460
Others	**149,634**	304,537
	5,848,809	7,248,193

28 CASH AND BANK DEPOSITS (cont'd)

The credit quality of cash and bank deposits by reference to Moody's credit ratings is as follows:

	2017 HK$'000	2016 HK$'000
Credit Rating:		
Aa	**2,660,000**	1,295,351
A	**2,085,143**	3,986,560
Baa	**264,789**	103,569
Others	**838,877**	1,862,713
	5,848,809	7,248,193

29 SHARE CAPITAL

	2017 Shares of HK$0.10 each		2016 Shares of HK$0.10 each	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
At beginning and end of year	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	**2,956,748,603**	**295,674**	2,839,597,270	283,959
Share options exercised	**13,771,000**	**1,377**	300,000	30
Issued as scrip dividends	**84,941,449**	**8,495**	116,851,333	11,685
At end of year	**3,055,461,052**	**305,546**	2,956,748,603	295,674

During the year, share options to subscribe for 13,771,000 (2016: 300,000) shares were exercised, of which HK$1,377,000 (2016: HK$30,000) and HK$52,930,000 (2016: HK$813,000) were credited to share capital and share premium respectively and HK$11,854,000 (2016: HK$207,000) was debited to share option reserve.

30 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Options are exercisable at a price of the higher of the closing price of the shares on the date of grant or the average closing prices of the shares for the five business days immediately preceding the date of grant. Consideration to be paid on each grant of option is HK$1.00. Except for the options granted on 24 January 2008, all other options granted are subject to a one year vesting period. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than ten years from the date of grant of the option.

Movements of share options and their related weighted average exercise prices per share during the year are as follows:

	2017		2016	
	Average exercise price HK$	**Number of share options**	Average exercise price HK$	Number of share options
At beginning of year	**3.7257**	**61,010,000**	4.0567	46,276,000
Granted	**4.7600**	**19,080,000**	2.7960	16,978,000
Exercised	**3.0828**	**(13,771,000)**	2.1200	(300,000)
Lapsed	**4.5337**	**(3,363,000)**	3.7333	(1,944,000)
At end of year	**4.1367**	**62,956,000**	3.7257	61,010,000
Vested at end of year	**3.8662**	**43,906,000**	4.0586	44,926,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.595 (2016: HK$3.513) per share.

The options outstanding at 31 December 2017 have exercise prices ranging from HK$2.12 to HK$4.76 (2016: HK$2.12 to HK$4.636) per share with weighted average remaining contractual life of 3.3 years (2016: 3 years).

30 SHARE OPTION SCHEME (cont'd)

Share options outstanding at the end of the year have the following exercise periods and exercise prices per share:

Exercise period	Exercise price	Number of share options	
		2017	2016
	HK$		
Directors			
27 November 2008 to 26 November 2017	4.636	—	2,985,000
27 November 2008 to 26 November 2017	3.882	—	1,300,000
17 January 2013 to 16 January 2018	2.120	**3,758,000**	8,874,000
21 January 2014 to 20 January 2019	4.610	**9,990,000**	9,990,000
30 September 2015 to 29 September 2020	4.500	**10,200,000**	10,200,000
21 January 2017 to 20 January 2022	2.796	**10,340,000**	10,500,000
17 July 2018 to 16 July 2023	4.760	**10,800,000**	—
Employees and others			
27 November 2008 to 26 November 2017	4.636	—	2,174,000
27 November 2008 to 26 November 2017	3.882	—	55,000
17 January 2013 to 16 January 2018	2.120	**60,000**	60,000
21 January 2014 to 20 January 2019	4.610	**3,518,000**	4,258,000
30 September 2015 to 29 September 2020	4.500	**4,510,000**	5,030,000
21 January 2017 to 20 January 2022	2.796	**1,530,000**	5,584,000
17 July 2018 to 16 July 2023	4.760	**8,250,000**	—
		62,956,000	61,010,000

The fair value of options granted during the year, as determined by using the Black-Scholes valuation model, was HK$0.91 (2016: HK$0.48) per option. The significant inputs into the model were share price of HK$4.76 (2016: HK$2.61) at the grant date, exercise price at the date of granting the options, expected volatility of 35% (2016: 35%), expected life of options of 3.5 years (2016: 3.5 years), dividend yield of 3.9% (2016: 3.3%) and annual risk-free interest rate of 0.968% (2016: 1.1%). The volatility is measured based on the historical share price movement of the Company in the relevant period matching expected time to exercise before the option grant date.

31 RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Capital redemption HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Investment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	**1,720,057**	**59,963**	**99,089**	**13**	**859**	**658**	**5,319,728**	**(966,259)**	**18,829,915**	**25,064,023**
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	3,906,182	3,906,182
Other comprehensive income										
Exchange differences arising from translation	—	—	—	—	—	46	—	1,168,273	—	1,168,319
Translation differences for joint ventures	—	—	—	—	—	—	—	12,102	—	12,102
Release of exchange reserve upon reduction of interest in subsidiaries	—	—	—	—	—	—	—	(40,182)	—	(40,182)
Change in fair value of non-current investment	—	—	—	—	—	—	4,695,789	—	—	4,695,789
Transactions with equity holders										
Fair value of share options	—	8,668	—	—	—	—	—	—	—	8,668
Exercise of share options	52,930	(11,854)	—	—	—	—	—	—	—	41,076
Lapse of share options	—	(4,784)	—	—	—	—	—	—	4,784	—
Shares issued as scrip dividends	(8,495)	—	—	—	—	—	—	—	—	(8,495)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	385,775	385,775
2016 final dividend	—	—	—	—	—	—	—	—	(385,008)	(385,008)
2017 interim dividend	—	—	—	—	—	—	—	—	(151,147)	(151,147)
At 31 December 2017	**1,764,492**	**51,993**	**99,089**	**13**	**859**	**704**	**10,015,517**	**173,934**	**22,590,501**	**34,697,102**
At 1 January 2016	1,730,929	53,704	99,089	13	859	702	3,800,502	118,270	15,737,146	21,541,214
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	3,181,996	3,181,996
Other comprehensive income										
Exchange differences arising from translation	—	—	—	—	—	(44)	—	(1,023,209)	—	(1,023,253)
Translation differences for joint ventures	—	—	—	—	—	—	—	221	—	221
Release of exchange reserve upon reduction of interest in subsidiaries	—	—	—	—	—	—	—	(61,541)	—	(61,541)
Change in fair value of non-current investment	—	—	—	—	—	—	1,519,226	—	—	1,519,226
Transactions with equity holders										
Fair value of share options	—	7,721	—	—	—	—	—	—	—	7,721
Exercise of share options	813	(207)	—	—	—	—	—	—	—	606
Lapse of share options	—	(1,255)	—	—	—	—	—	—	1,255	—
Shares issued as scrip dividends	(11,685)	—	—	—	—	—	—	—	—	(11,685)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	396,670	396,670
2015 final dividend	—	—	—	—	—	—	—	—	(340,776)	(340,776)
2016 interim dividend	—	—	—	—	—	—	—	—	(146,376)	(146,376)
At 31 December 2016	1,720,057	59,963	99,089	13	859	658	5,319,728	(966,259)	18,829,915	25,064,023

32 BORROWINGS

	2017 HK$'000	2016 HK$'000
Long-term bank loans		
Secured	**297,882**	2,217,148
Unsecured	**16,882,105**	5,783,912
	17,179,987	8,001,060
Short-term bank loans		
Secured	**300,000**	300,000
	17,479,987	8,301,060
Current portion included in current liabilities	**(811,587)**	(1,366,069)
	16,668,400	6,934,991

The bank loans are repayable within the following periods:

	2017 HK$'000	2016 HK$'000
Within one year	**811,587**	1,366,069
Between one to two years	**2,832,723**	357,059
Between two to five years	**13,835,677**	6,577,932
	17,479,987	8,301,060

The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 2.0% (2016: 2.0%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**17,182,105**	7,805,757
RMB	**297,882**	495,303
	17,479,987	8,301,060

Secured bank borrowings are pledged by land and buildings, investment properties, leasehold land and land use rights and development properties (Notes 17, 18, 19 and 24).

Notes to the Consolidated Financial Statements

33 GUARANTEED NOTES

	2017 HK$'000	2016 HK$'000
Guaranteed notes	**998,863**	2,711,562
Current portion included in current liabilities	**—**	(1,713,719)
	998,863	997,843

K. Wah International Financial Services Limited ("KWIFS"), a wholly-owned subsidiary of the Company, issued guaranteed notes in the aggregate principal amount of US$200 million at 100% of face value in 2012. The notes were guaranteed by the Company and carried a coupon rate of 5.375% per annum and had a maturity of 5 years. The notes were listed on The Stock Exchange of Hong Kong Limited. During the year, the notes were fully repaid. The fair value of the notes as at 31 December 2016 was HK$1,489 million.

KWIFS issued guaranteed notes of HK$150 million at 100% of face value through private placement in 2012. The notes were guaranteed by the Company and carried a coupon rate of 3-month HIBOR+2.75% per annum and had a maturity of 5 years. During the year, the notes were fully repaid. The carrying amount of the notes as at 31 December 2016 approximated its fair value.

KWIFS issued additional guaranteed notes of HK$1 billion at 100% of face value through private placement in 2014. The notes are guaranteed by the Company and carry a coupon rate of 4.25% to 4.73% per annum and have a maturity of 7 years. The fair value of these guaranteed notes as at 31 December 2017 was HK$1,047 million (2016: HK$1,013 million).

The fair values of the guaranteed notes are within Level 2 of the fair value hierarchy.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Current assets — Interest rate swaps	**—**	938
Non-current liabilities — Interest rate swaps	**—**	986
Current liabilities		
— Interest rate swaps	**615**	—
— Forward foreign exchange contract	**—**	5,004
	615	5,004

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2016 was US$200 million.

The notional principal amounts of the outstanding interest rate swaps at 31 December 2017 were HK$800 million (2016: HK$950 million).

35 DEFERRED TAXATION

	2017 HK$'000	2016 HK$'000
Deferred taxation assets	**119,663**	79,431
Deferred taxation liabilities	**(2,147,108)**	(1,574,946)
	(2,027,445)	(1,495,515)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset taxation assets against taxation liabilities and when the deferred taxes relate to the same fiscal authority. The above assets/liabilities are determined after appropriate offsetting of the relevant amounts.

	Accelerated depreciation allowance HK$'000	**Fair value gains** HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Other temporary differences** HK$'000	**Total** HK$'000
At 1 January 2016	(173,332)	(1,067,574)	(271,443)	(33,161)	(1,545,510)
Exchange differences	11,653	67,051	11,488	(3,058)	87,134
(Charged)/credited to profit and loss statement	(15,913)	(72,453)	55,728	(4,501)	(37,139)
At 31 December 2016	(177,592)	(1,072,976)	(204,227)	(40,720)	(1,495,515)
Exchange differences	(12,999)	(80,812)	(14,517)	2,558	(105,770)
(Charged)/credited to profit and loss statement	(15,763)	(356,473)	(102,075)	48,151	(426,160)
At 31 December 2017	**(206,354)**	**(1,510,261)**	**(320,819)**	**9,989**	**(2,027,445)**

Except for certain tax losses, all the other deferred taxation assets and liabilities are expected to be recovered or settled after twelve months.

Deferred taxation assets of HK$102,076,000 (2016: HK$106,833,000) arising from unused tax losses of HK$521,092,000 (2016: HK$575,112,000) have not been recognised in the financial statements. Unused tax losses of HK$331,787,000 (2016: HK$434,644,000) have no expiry date and the remaining balances have various expiry dates up to and including 2022 (2016: up to and including 2021).

Deferred taxation liabilities of HK$6,575,000 (2016: HK$3,285,000) arising from temporary differences associated with investments in subsidiaries have not been recognised in the financial statements, as the Group considers that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Notes to the Consolidated Financial Statements

36 CREDITORS AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Trade creditors	**1,749,118**	1,236,333
Other creditors	**65,871**	61,298
Amounts due to non-controlling interests	**—**	5,157
Accrued operating expenses	**212,339**	247,069
Rental and other deposits received	**185,867**	148,958
	2,213,195	1,698,815

Amounts due to non-controlling interests were unsecured, non-interest bearing and had no fixed terms of repayments.

The creditors and accruals are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**661,198**	327,384
RMB	**1,551,495**	1,370,884
Singapore dollar	**502**	547
	2,213,195	1,698,815

The carrying amounts of the creditors and accruals approximate to their fair value.

The aging analysis of the trade creditors of the Group based on the date of the invoices is as follows:

	2017 HK$'000	2016 HK$'000
Within one month	**1,738,121**	1,230,376
Two to three months	**3,879**	3,125
Four to six months	**1,878**	401
Over six months	**5,240**	2,431
	1,749,118	1,236,333

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash (used in)/generated from operations

	2017 HK$'000	2016 HK$'000
Profit before taxation	**6,735,327**	5,071,846
Share of profits of joint ventures	**(131,430)**	(102,807)
Share of profits of associated companies	**(62,764)**	(790,363)
Finance costs	**20,353**	22,308
Fair value gain on transfer of development properties to investment properties	**(1,275,065)**	(345,936)
Change in fair value of investment properties	**(458,631)**	(107,640)
Depreciation of property, plant and equipment	**31,310**	36,427
Amortisation of leasehold land and land use rights	**120**	121
Interest income	**(89,217)**	(65,335)
Loss on disposal of property, plant and equipment	**56**	42
Fair value of share options granted	**8,668**	7,721
Dividend income	**(95,866)**	(53,620)
Net settlement loss/(gain) on derivative financial instruments	**7,680**	(12,403)
Net fair value gains on derivative financial instruments	**(3,717)**	(11,404)
Net fair value gains on financial assets at fair value through profit or loss	**(9,464)**	(2,948)
Release of exchange reserve upon reduction of interest in subsidiaries	**(40,182)**	(61,541)
Operating profit before working capital changes	**4,637,178**	3,584,468
(Increase)/decrease in development properties	**(6,743,699)**	1,824,900
Increase in land and tender deposits	**(653,521)**	(1,160,500)
(Increase)/decrease in debtors and prepayments	**(858,929)**	308,571
Decrease in amounts due from non-controlling interests	**—**	8,636
(Increase)/decrease in inventories	**(1,935)**	625
Increase in other non-current assets	**(411,527)**	(98,659)
Increase in pre-sales deposits	**1,744,291**	638,516
Increase in creditors and accruals	**355,347**	354,666
Cash (used in)/generated from operations	**(1,932,795)**	5,461,223

Notes to the Consolidated Financial Statements

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) The movement of liabilities from financing activities and the repayment periods

	Borrowings		Guaranteed notes		
	Within 1 year HK$'000	After 1 year HK$'000	Within 1 year HK$'000	After 1 year HK$'000	Total HK$'000
At 1 January 2017	1,366,069	6,934,991	1,713,719	997,843	11,012,622
Exchange differences	1,007	20,318	5,252	—	26,577
Drawdowns	2,350,000	17,612,200	—	—	19,962,200
Repayments	(3,216,069)	(7,693,139)	(1,706,280)	—	(12,615,488)
Reclassifications	286,373	(286,373)	—	—	—
Other non-cash movements	24,207	80,403	(12,691)	1,020	92,939
At 31 December 2017	**811,587**	**16,668,400**	**—**	**998,863**	**18,478,850**

38 COMMITMENTS

(a) Contracted but not provided for

	2017 HK$'000	2016 HK$'000
Commitments in respect of		
— property investment	**—**	—
— property development	**2,468,252**	10,239,745
— joint venture	**6,989**	5,618
	2,475,241	10,245,363

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:

	2017 HK$'000	2016 HK$'000
Within one year	**13,109**	13,900
Two to five years	**18,240**	3,208
	31,349	17,108

38 COMMITMENTS (cont'd)

(c) Operating lease rental receivables

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	2017 HK$'000	2016 HK$'000
Within one year	**444,737**	373,587
Two to five years	**625,037**	553,998
After five years	**166,833**	116,203
	1,236,607	1,043,788

39 GUARANTEES

As at 31 December 2017, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2017		2016	
	Outstanding HK$000	**Utilised HK$000**	Outstanding HK$000	Utilised HK$000
Joint ventures	**1,460,384**	**1,323,434**	117,000	117,000
Properties buyers	**1,240,998**	**1,240,998**	1,473,448	1,473,448
	2,701,382	**2,564,432**	1,590,448	1,590,448

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

As at 31 December 2017, the Company has executed guarantees in favour of banks, in respect of loan facilities granted to certain subsidiaries, amounting to HK$17,779 million (2016: HK$18,513 million). Of these, facilities of HK$16,990 million (2016: HK$7,517 million) were utilised.

Apart from the above, the Company has executed a guarantee in favour of the Hong Kong Government in respect of the performance obligation of an investee company under a contract on a quarry site with the Hong Kong Government. On 31 July 2017, the works under the contract was completed and the quarry site of the contract was returned to the Hong Kong Government.

Notes to the Consolidated Financial Statements

40 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the consolidated financial statements which in the opinion of the Directors, were carried out in the normal course of business during the year:

(a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**900**	780
Salaries and other emoluments	**30,320**	29,153
Discretionary bonuses	**9,719**	3,504
Pension costs — defined contribution plans	**3,090**	2,973
Share option	**4,552**	4,656
	48,581	41,066

(b) Rental income from an investee company amounted to HK$1,411,000 (2016: HK$1,410,000) based on the terms of rental agreement between the parties.

(c) Rental expense to related companies amounted to HK$11,338,000 (2016: HK$15,850,000) based on the terms of master lease agreement between the parties.

(d) As at 31 December 2017 and 2016, the Company has executed a guarantee in favour of the Hong Kong Government in respect of the contract for quarrying rights and rehabilitation of the quarry of Tai Sheung Tok Anderson Road of an investee company. On 31 July 2017, the works under the contract was completed and the quarry site of the contract was returned to the Hong Kong Government.

(e) On 15 January 2016, a subsidiary of the Company entered into four sales and purchase agreements with Dr. Lui Che-woo, being the Chairman and Managing Director of the Company and also a substantial shareholder of the Company, in respect of four residential units at a total consideration of approximately HK$13,883,000. The transactions were based on prevailing market prices and completed in January 2017.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

As at 31 December 2017

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	**259,561**	259,561
Current assets		
Amounts due from subsidiaries	**3,394,261**	3,288,691
Cash and bank deposits	**1,127**	101,524
	3,395,388	3,390,215
Total assets	**3,654,949**	3,649,776
EQUITY		
Share capital	**305,546**	295,674
Reserves (note a)	**3,346,612**	3,351,072
Shareholders' funds	**3,652,158**	3,646,746
LIABILITY		
Current liability		
Creditors and accruals	**2,791**	3,030
Total equity and liability	**3,654,949**	3,649,776
Net current assets	**3,392,597**	3,387,185
Total assets less current liability	**3,652,158**	3,646,746

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Notes to the Consolidated Financial Statements

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (cont'd)

(a) Reserve movement of the Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	**1,720,057**	**59,963**	**213,560**	**13**	**1,357,479**	**3,351,072**
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**104,671**	**104,671**
Transactions with equity holders						
Fair value of share options	**—**	**8,668**	**—**	**—**	**—**	**8,668**
Exercise of share options	**52,930**	**(11,854)**	**—**	**—**	**—**	**41,076**
Lapse of share options	**—**	**(4,784)**	**—**	**—**	**4,784**	**—**
Shares issued as scrip dividends	**(8,495)**	**—**	**—**	**—**	**—**	**(8,495)**
Reserve arising on scrip dividends	**—**	**—**	**—**	**—**	**385,775**	**385,775**
2016 final dividend	**—**	**—**	**—**	**—**	**(385,008)**	**(385,008)**
2017 interim dividend	**—**	**—**	**—**	**—**	**(151,147)**	**(151,147)**
At 31 December 2017	**1,764,492**	**51,993**	**213,560**	**13**	**1,316,554**	**3,346,612**
At 1 January 2016	1,730,929	53,704	213,560	13	1,441,717	3,439,923
Comprehensive income						
Profit for the year	—	—	—	—	4,989	4,989
Transactions with equity holders						
Fair value of share options	—	7,721	—	—	—	7,721
Exercise of share options	813	(207)	—	—	—	606
Lapse of share options	—	(1,255)	—	—	1,255	—
Shares issued as scrip dividends	(11,685)	—	—	—	—	(11,685)
Reserve arising on scrip dividends	—	—	—	—	396,670	396,670
2015 final dividend	—	—	—	—	(340,776)	(340,776)
2016 interim dividend	—	—	—	—	(146,376)	(146,376)
At 31 December 2016	1,720,057	59,963	213,560	13	1,357,479	3,351,072

42 MATERIAL NON-CONTROLLING INTERESTS

Set out below is the summarised consolidated financial information for Choice Treasure Limited and its subsidiaries that have non-controlling interests which are material to the Group.

Summarised consolidated balance sheet

As at 31 December 2017

	HK$'000
Current	
Assets	**2,566,094**
Liabilities	**(1,534,422)**
	1,031,672
Non-current	
Assets	**250,260**
Net assets	**1,281,932**

Summarised consolidated statement of comprehensive income

For the year ended 31 December 2017

	HK$'000
Revenue	**5,298,580**
Profit after taxation and total comprehensive income	**1,338,134**
Profit after taxation and total comprehensive income allocated to non-controlling interests	**535,253**

Summarised consolidated cash flow statement

For the year ended 31 December 2017

	HK$'000
Net cash generated from operating activities	**1,722,072**
Net cash generated from investing activities	**3,067**
Net cash used in financing activities	**(1,481,455)**
Net increase in cash and cash equivalents	**243,684**
Cash and cash equivalents at beginning of year	**881,501**
Cash and cash equivalents at end of year	**1,125,185**

Notes to the Consolidated Financial Statements

43 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital Number of shares	Issued share capital Amount per share	Effective percentage of equity held by the Group	Principal activities
Directly held by the Company					
Incorporated in the British Virgin Islands					
Sutimar Enterprises Limited	Hong Kong	100	US$1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
Century Basis Limited	Hong Kong	1	N/A	100	Property development
Chely Well Limited	Hong Kong	1,000	N/A	72	Investment holding
Chinapex Company Limited	Singapore	1,000	N/A	100	Property investment
Colour Day International Limited	Hong Kong	2	N/A	100	Investment holding
Dragon Star Pacific Limited	Hong Kong	1	N/A	60	Provision of financial services
Faithfulink Limited	Hong Kong	1	N/A	100	Investment holding
Grand Place Limited	Hong Kong	1	N/A	100	Investment holding
Grand Spark Limited	Hong Kong	1	N/A	100	Property development and investment
Greenwell Investments Limited	Hong Kong	2	N/A	100	Investment holding
Goldstar Power Limited	Hong Kong	1	N/A	100	Investment holding
Goodsave International Limited	Hong Kong	1	N/A	100	Investment holding
Hero Plaza Limited	Hong Kong	2	N/A	100	Property development
Infinity Profit Limited	Hong Kong	1	N/A	100	Investment holding
K. Wah Financial Services Limited	Hong Kong	2	N/A	100	Provision of financial services
K. Wah Management Services Limited	Hong Kong	100	N/A	100	Provision of management services
K. Wah Project Management Service Limited	Hong Kong	2	N/A	100	Provision of management services
K. Wah Properties Investment Limited	Hong Kong	1,000	N/A	100	Investment holding
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	N/A	100	Investment holding
King Rays Limited	Hong Kong	2	N/A	100	Property development
Lucky Way Investment Limited	Hong Kong	2	N/A	100	Property development
Manful Global Development Limited	Hong Kong	1	N/A	100	Property development
Max Orient Holdings Limited	Hong Kong	1,000	N/A	100	Investment holding
Mazy Asia Limited	Hong Kong	1	N/A	100	Investment holding
Minter Limited	Hong Kong	2	N/A	100	Investment holding
New Fine Limited	Hong Kong	1	N/A	100	Property development
New Regent Asia Limited	Hong Kong	1	N/A	100	Property development and investment
Oriental Control Limited	Hong Kong	1	N/A	100	Investment holding
Polynice Limited	Hong Kong	2	N/A	100	Provision of financial services
Powerful Wave Limited	Hong Kong	1	N/A	100	Investment holding
Pure United Limited	Hong Kong	1	N/A	100	Investment holding
Raise Union Limited	Hong Kong	1	N/A	100	Investment holding
Royal Mark Investments Limited	Hong Kong	1	N/A	100	Property development
Skyport Fareast Limited	Hong Kong	1	N/A	100	Investment holding
Union Profits Limited	Hong Kong	2	N/A	100	Property investment
United Best Hong Kong Limited	Hong Kong	1	N/A	60	Property development
Victory Way Limited	Hong Kong	9,901,000	N/A	99.99	Investment holding
Wealthy Vision Limited	Hong Kong	1	N/A	100	Investment holding
Well Plant Limited	Hong Kong	1	N/A	100	Investment holding
Well Sense Limited	Hong Kong	1	N/A	100	Investment holding
Winway Global Development Limited	Hong Kong	1	N/A	100	Investment holding
Worldtop China Limited	Hong Kong	1	N/A	100	Investment holding

43 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Issued share capital: Number of shares	Issued share capital: Amount per share	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company					
Incorporated in the British Virgin Islands					
			US$		
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Choice Treasure Limited	Hong Kong	10	1	60	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
Grow Ever Limited	Hong Kong	1	1	100	Investment holding
K. Wah International Financial Services Limited	Hong Kong	10	1	100	Provision of financial services
League Trend Limited	Hong Kong	1	1	100	Investment holding
Leharne Properties Limited	Hong Kong	10	1	100	Investment holding
Million Link Group Limited	Hong Kong	1	1	100	Investment holding
Ragon Properties Limited	Hong Kong	10	1	100	Investment holding
Select Vantage Profits Limited	Hong Kong	10	1	100	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company				
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
嘉華(中國)投資有限公司 (K. Wah (China) Investment Co., Ltd.)	Shanghai	US$118,000,000	100	Investment holding
上海嘉港城房地產開發經營有限公司 (Shanghai Jia Gang Cheng Real Estate Development Co., Ltd.)	Shanghai	US$13,000,000	100	Property investment
上海嘉申房地產開發經營有限公司 (Shanghai Jia Shen Real Estate Development Co., Ltd.)	Shanghai	US$126,000,000	100	Property development and investment
上海嘉兆房地產開發經營有限公司 (Shanghai Jia Zhao Real Estate Development Co., Ltd.)	Shanghai	US$119,500,000	100	Property development and investment
上海嘉敏房地產開發經營有限公司 (Shanghai Jia Min Real Estate Development Co., Ltd.)	Shanghai	US$110,230,000	100	Property development and investment
上海嘉澤房地產開發經營有限公司 (Shanghai Jia Ze Real Estate Development Co., Ltd.)	Shanghai	RMB800,000,000	100	Property development
上海嘉爵房地產開發經營有限公司 (Shanghai Jia Jue Real Estate Development Co., Ltd.)	Shanghai	RMB600,000,000	100	Property development
上海嘉悅房地產開發經營有限公司 (Shanghai Jia Yue Real Estate Development Co., Ltd.)	Shanghai	RMB700,000,000	100	Property development and investment
上海嘉瑤置業有限公司 (Shanghai Jia Yao Real Estate Development Co., Ltd.)	Shanghai	RMB280,000,000	100	Property investment
南京嘉耀房地產開發有限公司 (Nanjing Jia Yao Real Estate Development Co., Ltd.)	Nanjing	RMB1,800,000,000	100	Property development
南京嘉琛房地產開發有限公司 (Nanjing Jia Chen Real Estate Development Co., Ltd.)	Nanjing	RMB1,360,000,000	100	Property development
蘇州嘉兆房地產開發經營有限公司 (Suzhou Jia Zhao Real Estate Development Co., Ltd.)	Suzhou	RMB500,000,000	100	Property development
廣州市嘉華花都置業有限公司 (Guangzhou Jiahua Huadu Property Development Co., Ltd.)	Guangzhou	HK$488,000,000	100	Property development
廣州嘉揚房地產開發有限公司 (Guangzhou Jia Yang Real Estate Development Co., Ltd.)	Guangzhou	HK$300,000,000	100	Property development
東莞廣裕房地產開發有限公司 (Dongguan Guang Yu Real Estate Development Co., Ltd.)	Dongguan	HK$911,000,000	100	Property development and investment
江門市嘉豐房地產開發有限公司 (Jiangmen Jia Feng Real Estate Development Co., Ltd.)	Jiangmen	HK$18,300,000	100	Property development
江門市嘉瀚房地產開發有限公司 (Jiangmen Jia Han Real Estate Development Co., Ltd.)	Jiangmen	HK$2,400,000,000	100	Property development

Notes to the Consolidated Financial Statements

43 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company				
Incorporated in Mainland China (cont'd)				
Cooperative joint venture				
廣州匯城房地產開發有限公司 (Guangzhou Hui Cheng Real Estate Development Co., Ltd.)	Guangzhou	HK$600,000,000	99	Property development
Equity joint venture				
上海嘉匯達房地產開發經營有限公司 (Shanghai Jia Hui Da Real Estate Development Co., Ltd.)	Shanghai	US$20,000,000	69.6	Property investment
上海凱通文安建設開發有限公司 (Shanghai Kaitong Wenan Construction Development Co., Ltd.)	Shanghai	RMB234,000,000	53.61	Property development

Name of company	Principal place of operation	Issued share capital: Number of shares	Issued share capital: Amount per share	Effective percentage of equity held by the Group	Principal activities

(b) Joint Ventures

Name of company	Principal place of operation	Number of shares	Amount per share	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company					
Incorporated in Hong Kong					
Teamer International Limited	Hong Kong	1	N/A	35	Property development
Ample Excellent Limited	Hong Kong	2	N/A	50	Property development
Asia Bright Development Limited	Hong Kong	1,000	N/A	22.5	Investment holding
Sky Asia Properties Limited	Hong Kong	1	N/A	22.5	Property development
Top Regent Holdings Limited	Hong Kong	90	N/A	$33\frac{1}{3}$	Investment holding
Grand Ample Limited	Hong Kong	1	N/A	$33\frac{1}{3}$	Property development
Incorporated in the British Virgin Islands					
Homeast Limited	Hong Kong	1,000	US$1	35	Investment holding
Incorporated in Mainland China		Registered capital			
南京弘威盛房地產開發有限公司 (Nanjing Hongwei Sheng Real Estate Development Co., Ltd.)	Nanjing	RMB765,000,000		33	Property development

(c) Associated Companies (note)

Name of company	Principal place of operation	Number of shares	Amount per share	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company					
Incorporated in Hong Kong					
Pacific Bond Limited	Hong Kong	1	N/A	15	Property development
Incorporated in the British Virgin Islands					
Garwin Investment Limited	Hong Kong	1,000	US$1	15	Investment holding

Note: Despite its 15% equity interest in each of these companies, significant influence is exercised in the management and thus these companies have been accounted for as associated companies of the Group through the participation in the Board.

The Group's Significant Properties

As at 31 December 2017

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
INVESTMENT AND OTHER PROPERTIES						
Hong Kong						
K. Wah Centre 28th, 29th and 30th Floors, 191 Java Road, North Point, Hong Kong	Office	2,926	100	2106	Completed	Existing
J SENSES 60, 60A-66 Johnston Road, Wanchai, Hong Kong	Commercial	3,400	100	2054	Completed	Existing
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	5,100	100	2070	Completed	Existing
Twin Peaks 9 Chi Shin Street, Tseung Kwan O, New Territories	Commercial	3,500	100	2062	Completed	Existing
Mainland China						
Shanghai K. Wah Centre No. 1010 Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	69.6	2047	Completed	Existing
Stanford Residences Jing An Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	32,000	100	2072	Completed	Existing
Stanford Residences Xu Hui 236 Jianguoxi Road, Xuhui District, Shanghai	Residential	26,000	100	2065	Partially completed	Existing/2018
Stanford Residences Jin Qiao 58 Jingye Road, Pudong New District, Shanghai	Residential	13,000	100	2083	Completed	Existing
Palace Lane 236 Jianguoxi Road, Xuhui District, Shanghai	Commercial	8,000	100	2065	Completed	Existing
Crowne Plaza Guangzhou Huadu and Office Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Hotel/Office	45,000	100	2039	Completed	Existing
J Town 111 Xihu Zhong Road, Xihu District, Shilong Town, Dongguan	Commercial	9,600	100	2052	Completed	Existing
DEVELOPMENT PROPERTIES						
Hong Kong						
Marinella 9 Welfare Road, Aberdeen, Hong Kong	Residential	1,100[(1)]	35	2057	Completed	Existing
The Spectra 8 Kwong Yip Street, Yuen Long, New Territories	Residential	2,500[(1)]	60	2063	Completed	Existing
K. City 7 Muk Ning Street, Kowloon	Residential	51,000	100	2064	Construction	2018
Solaria 16 Fo Chun Road, Tai Po, New Territories	Residential	61,600	100	2065	Construction	2019
2 Grampian Road, Kowloon	Residential	2,000	100	2047	Foundation	2020
New Kowloon Inland Lot No. 6566, Kai Tak Area 1K Site 2	Residential	53,000	100	2067	Foundation	2021
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2021 or beyond
Lot No.1040 in D.D. No.103, Kam Sheung Road Station Package One Property Development, Yuen Long	Residential	114,800	$33\frac{1}{3}$	2067	Planning	2021 or beyond
New Kowloon Inland Lot No. 6549, Cheung Sha Wan	Residential	91,800	22.5	2067	Planning	2021 or beyond

Note 1: For certain properties, Gross Floor Area includes covered area of all saleable units and their respective share of common area as referred to or to be referred to in sales brochures.

The Group's Significant Properties

As at 31 December 2017

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
DEVELOPMENT PROPERTIES (cont'd) **Mainland China**						
The Palace 236 Jianguoxi Road, Xuhui District, Shanghai	Residential	Phase 1 & 2: 6,300 Phase 3: 43,000	100	2065	Phase 1 & 2: Completed Phase 3: Construction	Phase 1 & 2: Existing Phase 3: 2018
Grand Summit Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	2,000	100	2072	Completed	Existing
Windermere Plot B3, B4 Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	71,000	100	2050 to 2080	Completed	Existing
Azure 58 Jingye Road, Pudong New District, Shanghai	Residential	16,000	100	2083	Completed	Existing
Site 7-7, Unit E18, Weifang Village Street, Pudong District, Shanghai	Residential	14,200	100	2084	Planning	2021 or beyond
Suhe Creek, Jingan District, Shanghai	Office	20,000	53.61	2056	Construction	2020
The Peak 19 Xingxian Road, Nanjing	Residential/ Commercial	132,000	100	2054 to 2084	Construction	2018
Royal Creek Pukou District, Nanjing	Residential	98,500	33	2087	Construction	2019
Site G89, Jiangning District, Nanjing	Residential/ Commercial	49,700	100	2057 to 2087	Planning	2021 or beyond
Lot 42 in National Hi-Tech District, Suzhou	Residential	59,000	100	2088	Planning	2021 or beyond
Le Palais No. 217, Jianshe Road (North) Huadu District, Guangzhou	Residential	6,400	100	2077	Completed	Existing
J Metropolis Xinhuazhen, Huadu District, Guangzhou	Residential/ Commercial	Phase 1 to 3: 6,700 Phase 4: 34,000 West site: 579,000	99	2034 to 2068	Phase 1 to 4: Completed West site: Planning	Phase 1 to 4: Existing West site: 2021 or beyond
J Wings Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Residential	7,300	100	2069	Completed	Existing
Huadu Jiahua Plaza Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Office/ Commercial	86,000	100	2039	Construction	2019
Silver Cove Phases I & II 111 Xihu Zhong Road, Xihu District, Shilong Town, Dongguan	Residential	42,000	100	2082	Completed	Existing
Silver Cove Phase III North Side of Wan Long Road, Xihu District, Shilong Town, Dongguan	Residential/ Commercial	34,000	100	2054 to 2084	Construction	2018
Jianghai Site No. 02, Jianghai District, Jiangmen	Residential/ Commercial	133,700	100	2057 to 2087	Planning	2021 or beyond
Jianghai Site No. 12, Jianghai District, Jiangmen	Residential/ Commercial	144,900	100	2057 to 2087	Planning	2021 or beyond

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