

RW 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

ANNUAL REPORT 2019 年報



Delivering Value with
Distinctive Quality
建優創值 力臻恆遠

OUR MISSION

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.

企業使命

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

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, hotel, 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.

Cresleigh Property, the property management arm of the Group, delivers exceptional hotel serviced property management services guided by advanced and international standards in general to premium residential buildings, commercial facilities, office towers and real estate complexes.

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 premier 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.

公司簡介

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質精優見稱。

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。

集團旗下的嘉英物業以先進的管理理念和國際高端精品酒店的營運模式，為物業提供專業及優質的管理服務，其服務類型涵蓋主流及高端住宅、商業設施、寫字樓和房地產綜合體。

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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WINDERMERE
SHANGHAI

Hall of Achievement

K. Wah International Holdings Limited

- BCI Asia Top 10 Developers 2019
- 2019 Devoted Developer with Thoughtful Layout Design Award of Excellence
- Metro Awards For Brand Excellence 2018
- The 10th Hong Kong Outstanding Corporate Citizenship Logo
- The 8th Outstanding Corporate Social Responsibility Award
- Employer of Choice Award 2019
- Work-Life Balance Award
- Outstanding Corporate Governance Award 2018
- Quam IR Awards 2018
- Certificate of Excellence 2019 — Investors Relations
- 2018 annual report: Silver Award — “Print: Annual Report” category
- 2018 annual report: “Top 100 Global Communications Materials”
- 2018 annual report: Honors Award — “Cover Photo/Design: Real Estate Integrated Development & Investment”
- 2018 annual report: Bronze award — “Residential Real Estate/General — Integrated Presentation”
- 2018 annual report: Silver award — “Real Estate Development — Integrated Presentation”

K. CITY, Hong Kong

- Five Stars Residency for the Year 2019

Solaria, Hong Kong

- Best Development Marketing Hong Kong
- Best Residential High-rise Architecture Hong Kong
- Best Residential High-rise Development Hong Kong



K. SUMMIT, Hong Kong

- Best Residential Development for Innovative and Smart Community
- Best Contemporary Hotel-style Clubhouse in Residential Development

Stanford Residences Serviced Apartment

- 2019 iDEAL Shanghai: iDEAL Serviced Apartment Brand
- China Hotel Starlight Awards: Best Serviced Apartment Brand of China
- 2019 That's Shanghai's Lifestyle Awards: Serviced Apartment of the Year (Pudong) — Stanford Residences (Jin Qiao)
- Timeout: Serviced Apartment of the Year
- Golden-Pillow Award of China Hotels: China's Best Upsale Long Term Rental Apartment Brand

- World Travel Awards 2019: China's Leading Serviced Apartment Brand 2019
- M&C China: Best Serviced Apartment Brand Of The Year

Palace Lane, Shanghai

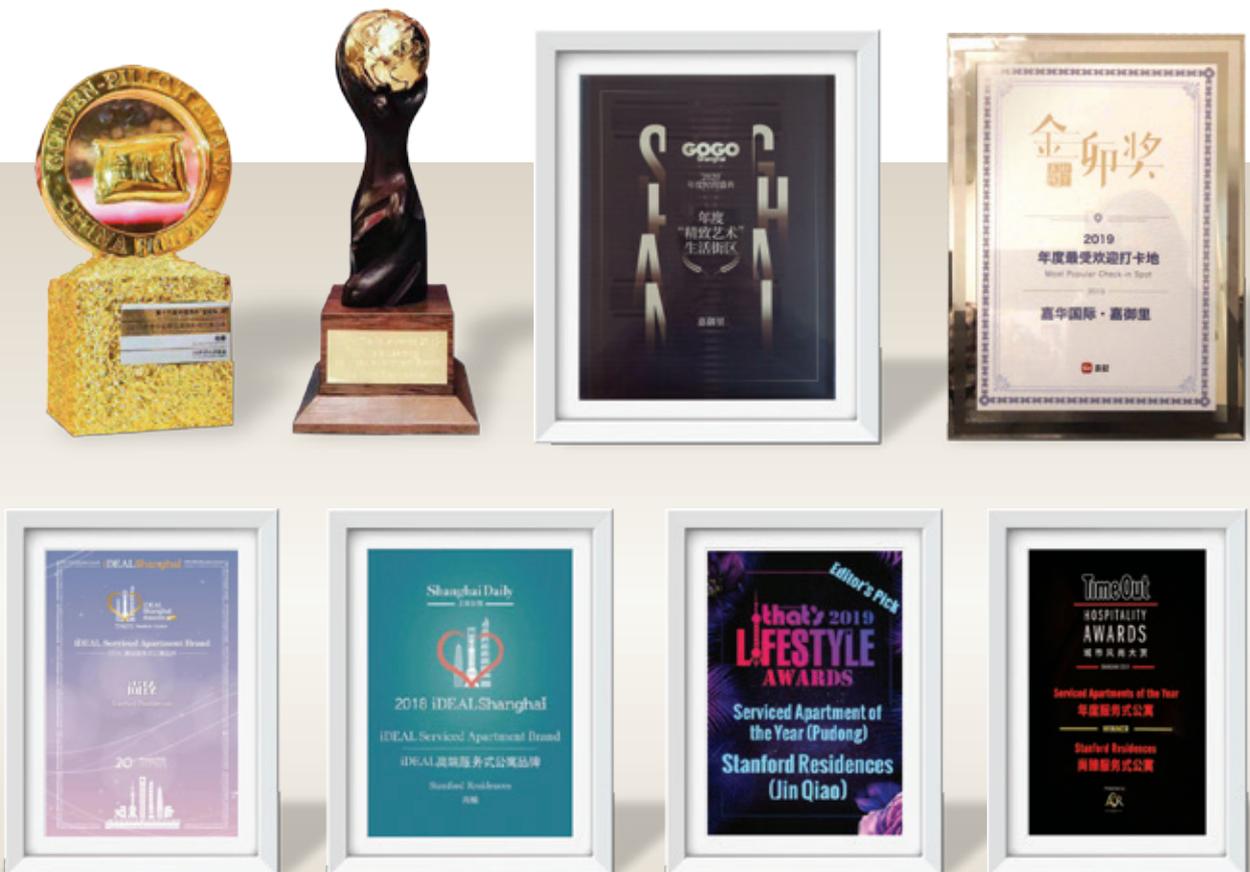
- X-monster: Most Popular Check-in Spot 2019
- 2019 Exquisite Lifestyle and Art District

Silver Cove, Dongguan

- The Greater Bay Area Metal Real Estate Brands Awards 2019: Landmark Property of the Year

J Metropolis, Guangzhou

- Guangzhou Property Management Model Residential District 2019



Financial Calendar

DATES	EVENTS
20 August 2019	Announcement of Interim Results for the six months ended 30 June 2019
21 October 2019	Payment of 2019 Interim Cash Dividend of 6 HK cents per share
24 March 2020	Announcement of Annual Results for the year ended 31 December 2019
29 May 2020 to 3 June 2020 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2020 Annual General Meeting
3 June 2020	2020 Annual General Meeting
12 June 2020 to 17 June 2020 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2019 Final Dividend
17 June 2020	Record Date for 2019 Final Dividend
17 July 2020	Payment of 2019 Final Cash Dividend of 14 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. William Yip Shue Lam, *LLD*
Mr. Au Man Chu
Mr. Wong Kwai Lam
Mr. Nip Yun Wing (appointed on 12 July 2019)

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*
Mr. Au Man Chu
Mr. Nip Yun Wing (appointed on 1 March 2020)

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

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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

LEGAL ADVISORS*

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

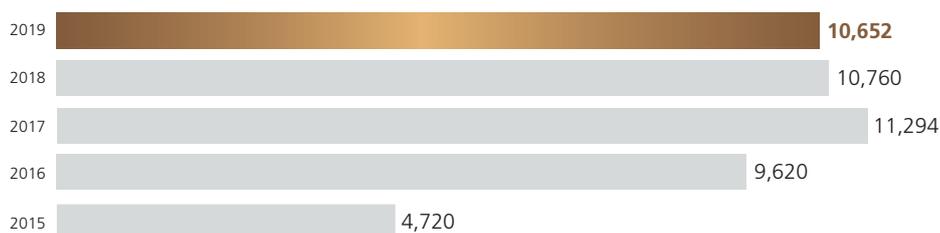
CONSOLIDATED PROFIT AND LOSS STATEMENT

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Revenue	4,720,487	9,619,956	11,293,887	10,759,792	10,651,931
Profit before tax	2,815,345	5,071,846	6,735,327	5,538,504	5,299,400
Taxation charge	(1,368,223)	(1,845,715)	(2,218,052)	(1,361,800)	(2,063,286)
Profit for the year	1,447,122	3,226,131	4,517,275	4,176,704	3,236,114
Non-controlling interests	(80,368)	(44,135)	(611,093)	(130,314)	(86,376)
Profit attributable to equity holders of the Company	1,366,754	3,181,996	3,906,182	4,046,390	3,149,738
Earnings per share (HK cents)	48.1	107.6	128.2	129.5	100.8
Dividend per share (HK cents)	17.0	18.0	18.0	20.0	20.0

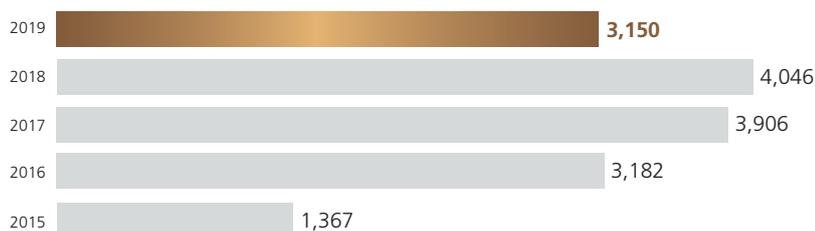
CONSOLIDATED BALANCE SHEET

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Non-current assets	8,446,513	8,831,175	13,181,711	14,738,109	15,660,220
Associated companies and joint ventures	1,347,748	2,255,043	8,344,364	7,542,438	12,807,230
Other non-current assets/ investments	4,059,194	5,668,480	10,772,942	8,661,605	9,914,230
Net current assets	23,270,988	19,880,535	24,532,041	26,118,563	20,441,897
Employment of capital	37,124,443	36,635,233	56,831,058	57,060,715	58,823,577
Financed by:					
Share capital	283,959	295,674	305,546	312,485	312,517
Reserves	21,541,214	25,064,023	34,697,102	35,328,008	38,573,520
Shareholders' funds	21,825,173	25,359,697	35,002,648	35,640,493	38,886,037
Non-controlling interests	1,511,587	1,766,770	2,014,039	1,361,232	1,231,899
Long-term borrowings and guaranteed notes	12,124,823	7,932,834	17,667,263	17,609,943	16,171,810
Other non-current liabilities	1,662,860	1,575,932	2,147,108	2,449,047	2,533,831
Capital employed	37,124,443	36,635,233	56,831,058	57,060,715	58,823,577
Net assets value per share (HK\$)	7.69	8.58	11.46	11.41	12.44

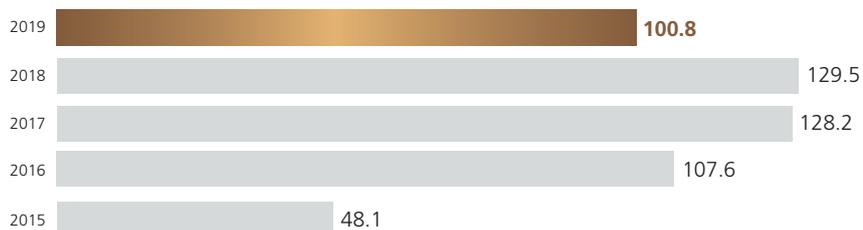
Revenue (HK\$ Million)



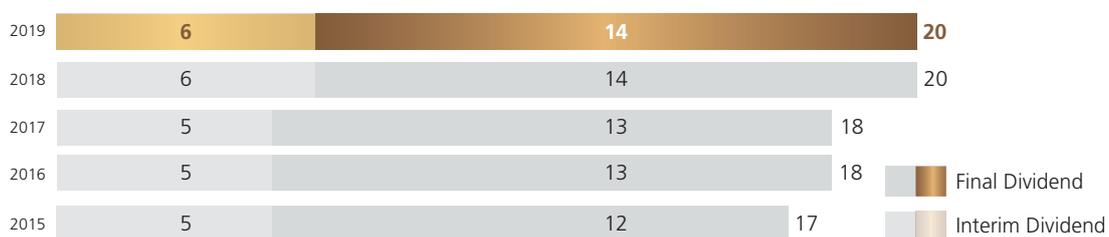
Profit Attributable to Equity Holders of the Company (HK\$ Million)



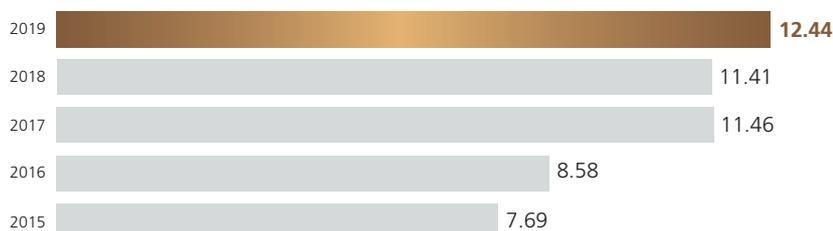
Earnings Per Share (HK Cents)



Dividend Per Share (HK Cents)



Net Assets Value Per Share (HK\$)



Statement from the Chairman



Dear Shareholders,

Adhering to its commitment to excellence and quality along with its prudent approach, KWIH reported satisfactory sales results for the past year. For the financial year ended 31 December 2019, the Group's attributable revenue amounted to HK\$11.7 billion while profit attributable to equity holders amounted to HK\$3.15 billion. Underlying profit amounted to HK\$3.16 billion, up 5% year-on-year.

The Board has recommended a final dividend of 14 HK cents per share for the year ended 31 December 2019. Together with the interim dividend of 6 HK cents per share, the dividend for the full

year amounted to 20 HK cents per share, continuing to provide shareholders with stable returns.

The Hong Kong property market saw ups and downs in 2019, as the local economy was adversely affected by uncertainties resulting from the complex political and economic conditions, both in Hong Kong and globally. 2019 had a good start with positive news that included the imminent end of the United States ("US") interest rate hike cycle and the commencement of the Sino-US trade talks, as well as a pent-up demand for residential properties that helped to underpin property transaction prices and volumes in the first half of the year. However,

cautious sentiments set in during mid-year, with local and international developments, such as unpredictable turns taken in the Sino-US trade talks, Brexit, geopolitical events and social unrest in Hong Kong, all contributing to a lukewarm market. Subsequently, the property market began to stabilise in the wake of three interest rate cuts announced by the US Federal Reserve the last year, the conclusion of the first phase trade agreement between Mainland China and the US and the Hong Kong Government's relaxation of the caps on the value of the completed residential properties under the Mortgage Insurance Programme.

During the year under review, Hong Kong continued to enjoy low-interest rates, while homebuyers' unyielding demand for residential properties remained. In accordance with our prudent approach, the Group launched units of Solaria, Tai Po and K. Summit, Kai Tak in a timely manner. In Mainland China, transaction prices and volumes in the real estate market were generally stable as the principle of "housing for living in, not for speculation" maintained by the Government. "Customised measures" were adopted for different cities, such as those for stimulating underlying demand by granting resident rights to talents. Local governments were also flexible in adjusting their property market policies, resulting in an increase in transactions in some cities. During the first quarter of last year, the Group launched a luxury residential development in Shanghai, The Palace III, and reported satisfactory sales. The Group projects in Nanjing, Guangzhou and Dongguan all continued to generate stable sales.

During the year under review, KWIH continued to replenish its landbank in Hong Kong and Mainland China based on a versatile development strategy, providing a solid impetus for its future development.

OUTLOOK

The year 2020 will be subject to uncertainties and challenges given the inherent instability under the global political and economic landscape. While the execution of the first phase trade agreement between Mainland China and the US had alleviated risk-avoiding sentiments in the market, the second-phase negotiations are likely subject to more uncertainties. At the same time, post-Brexit trade agreement talks between the United Kingdom and the European Union, geopolitical risks in the Middle East and the US presidential election will all likely keep global investors on the sideline and disrupt economic activity. COVID-19 has become a pandemic and has inevitably affected the global economy. In Hong Kong, the social unrest has been sustaining since last year and now, in addition, the pandemic, we are experiencing severe disruption to the economy. In Mainland China, the pandemic has restricted its economic activities in the first quarter of 2020.

In the midst of COVID-19 pandemic and the social unrest yet to be ended, this year's business environment will be challenging. However, KWIH remains cautiously optimistic about Hong Kong and Mainland China property demand. The Group will take great care to continuously develop our business while closely monitor global political and economic conditions and the latest developments in Hong Kong, embracing opportunities as well as challenges in a prudent and proactive manner. In the meantime, the Group will continue to deliver unique, premium properties and services aiming for perfection and innovation in line with its objective of delivering "Quality and Excellence", in order to bolster its overall competitive strength. KWIH has witnessed, and steered through, countless difficult periods over decades of its business development in Hong Kong. With a pragmatic mindset backed by solid financial strength and our wealth of experience, I have no doubt that the Group will again overcome any challenges and continue to stably develop its business by seizing opportunities available in a soft market.

During the year under review, Dr. Robin Chan Yau-hing retired as an independent non-executive director of the Group. In his nearly 30 year tenure as a KWIH director, Dr. Chan fulfilled his supervisory duty with great commitment, as a witness to the sound practice of the Group's corporate governance. On behalf of the Group, I whole-heartedly express sincere gratitude to Dr. Chan.

At a time of challenge and crisis, all of our community stakeholders must work together as one to overcome adversity. On behalf of the Board, I would like to pay tribute to all government departments and officials, and all medical practitioners who have been working tirelessly to fulfil their duties during this critical period. Thanks are also due to all our staff for contributing to the Group through dedicated work in their respective capacities. I look forward to their continued collaboration with the Group in our united effort to cope with the challenge and realise the Group's vision for long-term and sustained business growth. I hope that the pandemic will be over soon and wish Hong Kong people well.

Dr. Lui Che-woo
Chairman

24 March 2020



K. SUMMIT
HONG KONG

Management Discussion and Analysis

REVIEW OF OPERATIONS

Operating Results

The revenue of the Group for the year ended 31 December 2019 was HK\$10,652 million, primarily derived from the property sales of K. City in Hong Kong, Phase III of The Palace in Shanghai, The Peak in Nanjing, J Metropolis and Phase III of Huadu Jiahua Plaza in Guangzhou, Silver Cove in Dongguan and 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\$1,062 million) was HK\$11,714 million for the year ended 31 December 2019.

Profit attributable to equity holders of the Company was HK\$3,150 million for the year ended 31 December 2019. The underlying profit of the Group was slightly higher at HK\$3,156 million before the net of tax fair value change of investment properties.

The total comprehensive income attributable to equity holders of the Company was HK\$3,862 million for the year ended 31 December 2019 after accounting for the fair value change on the non-current investment of an approximately 3.75% interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets at year end.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2019 amounted to approximately HK\$9.8 billion, mainly derived from K. Summit, Solaria and K. City in Hong Kong, Phase III of The Palace and Windermere in Shanghai, The Peak in Nanjing, Phase III of Huadu Jiahua Plaza in Guangzhou, Silver Cove in Dongguan and joint venture projects both in Hong Kong and Mainland China.

As of 31 December 2019, the Group had unrecognised attributable contracted sales amounted to approximately HK\$10.8 billion, expected to be accounted for in the year of 2020 and 2021.

Property Development and Investment in Hong Kong

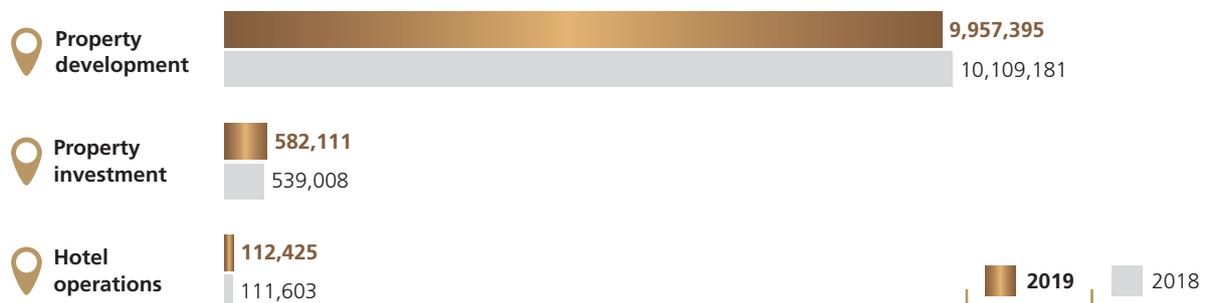
The property market experienced a rebound in the first half of the year. Home prices and primary transactions rose for five consecutive months since January with market participants expecting a reversal of the interest trend in the US and a trade agreement between Mainland China and the US would be concluded soon. However, the property market softened quickly seeing an escalation in trade tensions between Mainland China and the US and the social unrest in Hong Kong since June. Home buyers became more cautious, property prices and transaction volumes as a result declined.

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
2019					
Revenue	3,372,311	6,585,084	582,111	112,425	10,651,931
Adjusted EBITDA	1,745,546	3,165,491	431,179	(216,136)	5,126,080
Total assets	27,962,670	20,602,899	15,646,003	10,347,468	74,559,040
2018					
Revenue	7,115,001	2,994,180	539,008	111,603	10,759,792
Adjusted EBITDA	3,202,044	950,404	432,536	(216,223)	4,368,761
Total assets	25,147,212	21,214,079	14,489,103	9,043,454	69,893,848

Management Discussion and Analysis

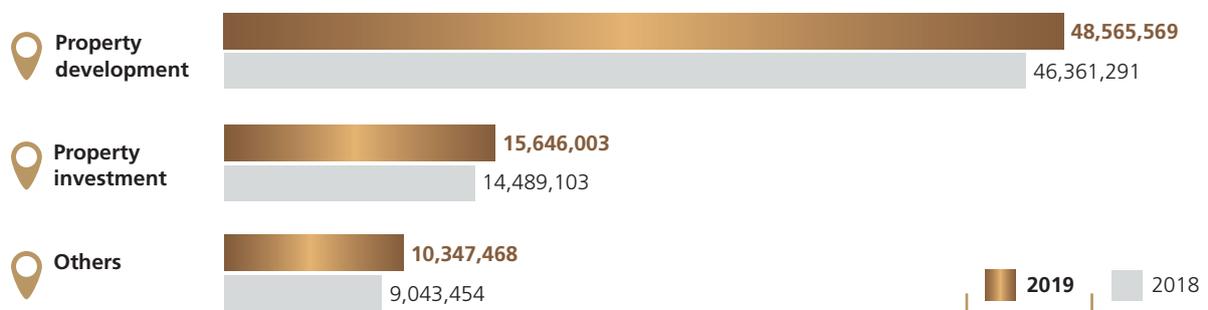
Revenue by Division

For the year ended 31 December 2019
(HK\$'000)



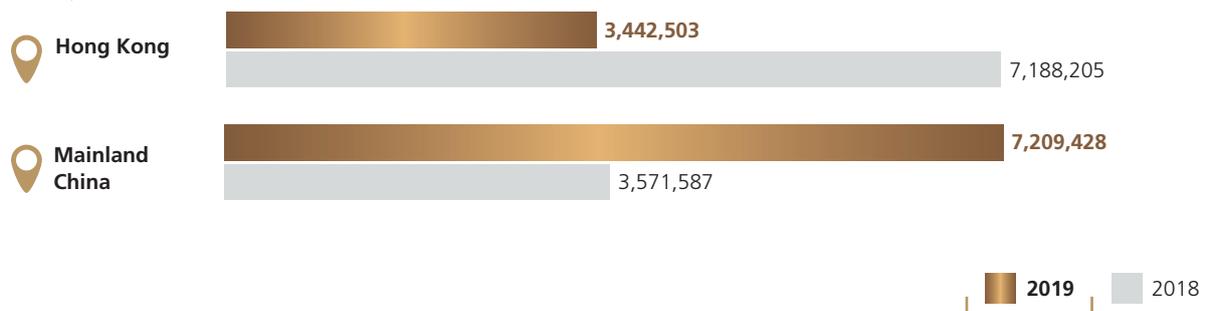
Total Assets by Division

As at 31 December 2019
(HK\$'000)



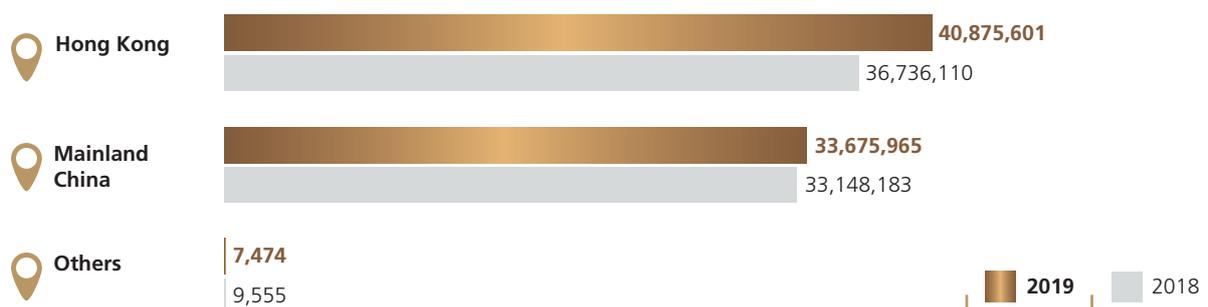
Revenue by Geographical Area

For the year ended 31 December 2019
(HK\$'000)



Total Assets by Geographical Area

As at 31 December 2019
(HK\$'000)



During the year, the Group continued to market the remaining units of Solaria and K. City with contracted sales over HK\$2 billion in aggregate. In addition, the Group launched an initial batch of 228 units of K. Summit in December 2019, with over half sold by the launch date. The handover of K. City's sold units from December 2018 continued with sales revenue recognised in the year. The occupation permit of Solaria was obtained in October while the certificate of compliance was granted in February 2020. The handover of pre-sold units commenced in late February 2020 and is progressing well.

The Group's leasing performance continued to be satisfactory during the year. Our premium dining and shopping arcade J SENSES and a commercial complex at Twin Peaks were fully leased as of the year-end and recorded satisfactory rental income.

The Group continued to participate in land bids during the year. As a result, the Group, via joint ventures with other property developers, successfully acquired three plots of residential land. Two are located in Kai Tak and the other in Tseung Kwan O, for total attributable GFA of approximately 78,000 square metres.

(A) Current Major Development Properties **K. City, Kai Tak (100% owned)**

This premium residential development is located in the heart of the Kai Tak Development Area in close proximity to the Kai Tak Station on the MTR Tuen Ma Line (became operational in February 2020). The development offers 900 units with a total GFA of approximately 51,000 square metres. Pre-sales began in 2017 with a good market response, achieving contracted sales of approximately HK\$0.8 billion in the year and HK\$10 billion in total with only 5 residential units and several carparks still available for sale as of year-end. The development is completed, the handover of sold units to buyers began in December 2018 after the certificate of compliance was obtained, with certain presale revenue recognised in the year upon the handover of sold units to buyers.



HONG KONG

- 1** K. City
- 2** K. Summit
- 3** Solaria
- 4** New Kowloon Inland Lot No. 6577, Kai Tak
- 5** New Kowloon Inland Lot No. 6554, Kai Tak
- 6** 2 Grampian Road
- 7** 30 Po Shan Road
- 8** Kam Sheung Road Station Package One Property Development
- 9** New Kowloon Inland Lot No. 6549, Cheung Sha Wan
- 10** LOHAS Park Package Eleven Property Development
- 11** J SENSES
- 12** Chantilly
- 13** Commercial Complex at Twin Peaks

* No warranty on accuracy and distance. Location shown on an approximate basis only.

Solaria, Tai Po (100% owned)

This premium residential development, with a total GFA of approximately 61,600 square metres, is located in Pak Shek Kok. The district is a maturing community with good potential. The development offers 1,122 units. Pre-sales launched in 2018 and were well received by the market. Around 80% of the units were pre-sold for approximately HK\$7.5 billion as of year-end. The occupation permit was obtained in October and the certificate of compliance was granted in February 2020. The contracted sales will be recognised upon handover of pre-sold units to buyers that commenced in late February 2020.

K. Summit, Kai Tak (100% owned)

This development has a total GFA of approximately 53,000 square metres and is located in the heart of the Kai Tak Development Area near the Kai Tak Station on the MTR Tuen Ma Line. It is being developed into a premium residential project and superstructure works are in progress as scheduled, with targeted completion by 2021. Following the pre-sales consent being obtained in November, the first batch of 228 residential

units was put up for sale in December with pre-sales of approximately HK\$1.3 billion as of year-end and HK\$1.8 billion up-to-date.

2 Grampian Road, Kowloon (100% owned)

This unique development is situated in one of Kowloon's prime residential areas with a total GFA of approximately 2,000 square metres. It comprises 5 premium house units. Superstructure works are well underway with targeted completion in the second quarter of 2020. Sales will then be launched.

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

This project has a total GFA of approximately 91,800 square metres, is situated at a coveted urban waterfront location providing a panoramic harbour view and within walking distance to MTR Station. This is a project jointly developed with other property developers and is being developed into a premium-graded residential property comprising approximately 1,200 units. Foundation works are in progress as scheduled with targeted completion by 2022. Pre-sales is expected to be launched in the second half of 2020.



K. City, Hong Kong

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

This project has a total GFA of approximately 114,800 square metres and is located next to the West Rail Kam Sheung Road Station that connects to other parts of the city and offers convenient access to Mainland China. It is being developed into a premium residential project in a joint venture with other property developers. Foundation works are underway with targeted completion by 2023.

LOHAS Park Package Eleven Property Development, Tseung Kwan O (30% owned)

This site with a total GFA of approximately 88,800 square metres was acquired in April and is situated on the seafront at Tseung Kwan O, connected to the MTR LOHAS Park Station. The site will be developed into a premium residential project in a joint venture with other property developers. Planning and design work is underway.

New Kowloon Inland Lot No. 6577, Kai Tak Area 4A Site 1 (40% owned)

This site acquired in July, with a total GFA of approximately 99,900 square metres, is located in the heart of the Kai Tak Development Area and closes to the Kai Tak Station on the MTR Tuen Ma Line. It sits on the former runway of the old Kai Tak Airport and will be developed into a premium residential project in a joint venture with other property developers. Planning and design work is underway.

New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2 (10% owned)

This site acquired in November, with a total GFA of approximately 111,900 square metres, is located in the heart of the Kai Tak Development Area and next to the above-mentioned Kai Tak Area 4A Site 1, and enjoys a panoramic Victoria Harbour view. The site will be developed into a premium residential project in a joint venture with other property developers. Planning and design work has commenced.



Solaria, Hong Kong

(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 a prime location on Hong Kong Island that offers the neighborhood a high-end dining and leisure environment. It was fully leased as of year-end and continues to deliver recurring cash flow to the Group.

Commercial Complex at Twin Peaks, Tseung Kwan O (100% owned)

With a total GFA of approximately 3,500 square metres, the complex serves the residents of Twin Peaks and the neighborhood. It was fully leased as of year-end and continues to deliver recurring cash flow to the Group.

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

Located in a desirable area of Hong Kong Island, Chantilly offers a total GFA of approximately 5,100 square metres and is held for long term investment. Approximately 60% of the available units were leased as of year-end.

Property Development and Investment in Mainland China

During the year, the overall property market was stable despite ongoing trade tensions with the US. The government's restrictive policies for the property market remained generally in place while relaxation noted in some cities. Home prices and transaction volumes recorded moderate growth, supported by genuine underlying demand.

Sales for Phase III of The Palace in Shanghai started in March and received an overwhelming response with its prime location and premium quality, resulting in contracted sales of approximately RMB2.8 billion as of year-end. Handover of the majority of the sold units commenced in November and the corresponding revenue was recognised. The Group continued to market the remaining units of its projects, Windermere in Shanghai, The Peak in Nanjing, J Metropolis, J Wings and the apartments in Phase III of Huadu Jiahua Plaza in Guangzhou, and Silver Cove in Dongguan.

During the year, the Group participated in a joint venture to acquire a residential land in Jiangmen, with a total GFA of approximately 74,100 square metres. The Group also solely acquired two other sites, one is a commercial land located in Changning, Shanghai with a total GFA of



K. Summit, Hong Kong



THE PALACE III

SHANGHAI



Management Discussion and Analysis

approximately 12,500 square metres. The other is for residential development, located in Suzhou with a total GFA of approximately 70,400 square metres.

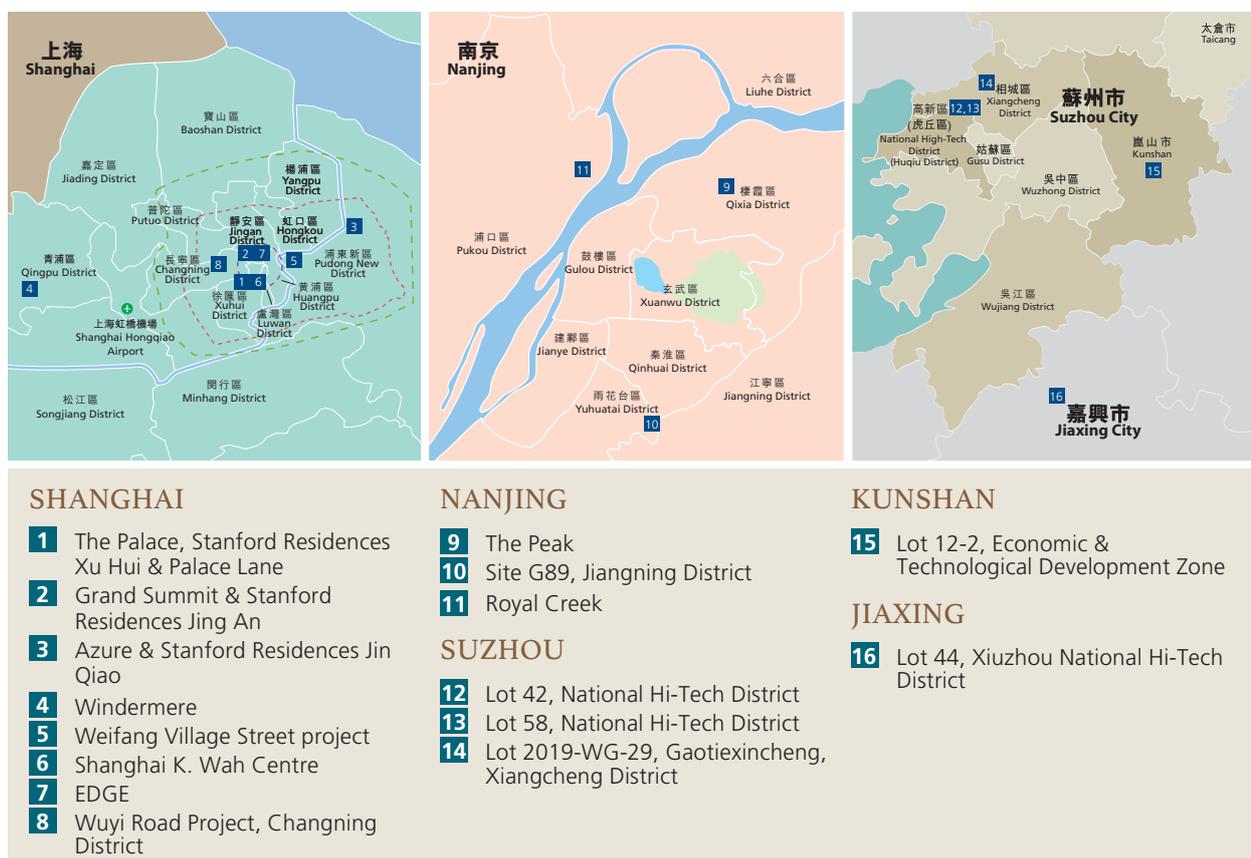
The Group's investment properties have maintained satisfactory occupancy throughout the year. Shanghai K. Wah Centre, continued to achieve 95% occupancy rate. Our serviced apartments branded under "Stanford Residences" have been very well received and enjoy a high overall occupancy of 85%. In addition, the office building, EDGE, at Suzhou Creek in Shanghai and retail portions of The Peak in Nanjing, with a total GFA of approximately 20,000 square metres and 8,000 square metres respectively, were put up for leasing and transferred to investment properties during the year. The market response has been satisfactory.

(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 entire project is completed. 4 blocks with a total GFA of approximately 26,000 square metres are held as serviced apartments under "Stanford Residences Xu Hui". Following the successful marketing of the first and second phases, the third phase, comprising residential units with a total GFA of approximately 43,000 square metres, was launched after the sales consent was granted in March, and was well received by the market with its prime location and quality. It comprises 2 towers with 106 spacious residential units, offering flats with three or five-bedrooms and some special units, with unit size between 240 and 540 square metres. About two-third of the units were sold as of year-end and the handover of sold units to buyers commenced in November.



Windermere, Qingpu District, Shanghai (100% owned)

Located in Zhujiajiao Town in Qingpu District, the development comprises 256 house units with ancillary commercial facilities for a total GFA of approximately 71,000 square metres. The project is completed and launched for sale in late 2018. 165 units were launched for sale and over one-third of units were sold as of year-end. The handover of sold units to buyers commenced in August.

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 257 residential units for sale and 129 units held as serviced apartments under "Stanford Residences Jing An". The project is completed and only 3 penthouses are available for sale as of year-end.

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

The project, located in a well-developed community, with a total GFA of approximately 132,000 square metres, is an integrated complex offering 1,167 residential units for sale and commercial portions for rental. The development is completed and only a few units are available for sale as of year-end.

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

This premium residential project is completed. It comprises 6 towers and offers 232 units with a total GFA of approximately 29,000 square metres, of which 102 units with a total GFA of approximately 13,000 square metres are retained as serviced apartments under "Stanford Residences Jin Qiao". It is within a well-developed residential area with good transportation links to Pudong CBD. The sales launch of the remaining 130 units is subject to market conditions.



Weifang Village Street Project, Shanghai



(Top) The Peak, Nanjing

(Bottom) Site G89, Jiangning District, Nanjing

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 and is being developed into residential buildings with commercial facilities. It is situated in a prime location between the Lujiazui Financial Centre and the convention, exhibition and business zone of the World Expo headquarters. Construction works are in progress with expected completion in 2021.

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

This project is located in Jiangning District, close to several railway and transportation networks and within walking distance from Nanjing South Railway Station. It has a total GFA of approximately 49,700 square metres and is being developed into residential buildings with ancillary commercial facilities. Construction works are in progress with expected completion in 2021.

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

The Group participated in a joint venture with two property developers to develop this site into residential building. Located in Pukou District, lying northwest across the Yangtze River from downtown Nanjing, it offers a total GFA of approximately 98,500 square metres. Pre-sales began in late 2017 and almost all of the residential units were sold as of year-end. The sold units are being handed over to buyers upon the development was completed in December.

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

This project is located in Suzhou National Hi-Tech District, next to the Suzhou Xinqu Railway Station, the Suzhou Rail Transit Line 3 (became operational in December 2019) and the Suzhou Rail Transit Line 6 (under construction). It has a total GFA of approximately 59,000 square metres and is being developed into residential buildings with commercial facilities. It is expected to be launched for sale in the second half of 2020. Construction works are in progress with expected completion in 2021.



Lot 2019-WG-29, Gaotixincheng, Xiangcheng District, Suzhou

Lot 58 in National Hi-Tech District, Suzhou (47% owned)

This project, located in Suzhou National Hi-Tech District, is close to the Suzhou Xinqu Railway Station, the Suzhou Rail Transit Line 3 (became operational in December 2019) and the Suzhou Rail Transit Line 6 (under construction). It has a total GFA of approximately 75,000 square metres and is being developed into 11 residential buildings offering 654 units. Pre-sales started in December 2018 with satisfactory responses. Construction works are in progress with expected completion by 2020.

Lot 2019-WG-29, Gaotixincheng, Xiangcheng District, Suzhou (100% owned)

This newly acquired site is located in Suzhou Xiangcheng District, next to the Suzhou North Railway Station and the Suzhou Rail Transit Line 2. It has a total GFA of approximately 70,400 square metres and will be developed into residential buildings with commercial facilities. Planning and design work is in good progress.

Wuyi Road, Changning, Shanghai (100% owned)

This newly acquired site, situated in a historical and cultural heritage area with good public transport networks, is a well-developed community. It has a total GFA of approximately 12,500 square metres. Planning and design work is underway.

Guangzhou, Dongguan and Jiangmen

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

This site is close to Baiyun International Airport and has a total GFA of approximately 231,000 square metres. The project is a composite development with residential units, a hotel, offices, apartments and commercial facilities. The entire project is completed. The first phase includes a hotel and an office tower with a GFA of approximately 32,000 square metres and 13,000 square metres respectively. The second phase, J Wings, has a GFA of approximately 100,000 square metres and is almost fully sold. The third and fourth phases of Huadu Jiahua Plaza, with a total GFA of approximately 86,000 square metres, consist of



GUANGZHOU

- 1** Huadu Jiahua Plaza
(Phase 1: Crown Plaza Guangzhou
Huadu and office)
(Phase 2: J Wings)
(Phase 3 & 4: K. Wah Plaza)
- 2** Huadu Integrated Project
(J Metropolis &
Xinhuazhen West Site)

DONGGUAN

- 3** Silver Cove & Cove Gala
- 4** Hengjiang Village Project, Chashan

JIANGMEN

- 5** J CITY
- 6** Jiajun Garden
- 7** Site JCR 2018 — 127
(Xinhui Site No. 17), Xinhui District

Management Discussion and Analysis

four buildings including apartments, offices and retail facilities. Two blocks of apartments were launched for sale since the fourth quarter of 2018 and over 75% had been sold as of year-end. The offices and retail portions with a GFA of approximately 38,000 square metres are being held as investment properties for rental.

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

This project is only steps away from Baiyun District and is poised to benefit from the build-up of new transportation networks. The total GFA of this project is approximately 805,000 square metres with development in phases in the East and West Sites.

J Metropolis, Xinhuaazhen East

The project has a total GFA of approximately 226,000 square metres, offering 1,849 residential units in total. The development is completed and only a few units are available for sale as of year-end.

Xinhuaazhen West Site

The site has a GFA of approximately 579,000 square metres and will be developed in phases for residential units and commercial complexes. The first phase, with a GFA of approximately 187,000 square metres, will comprise approximately 1,500 residential units and a commercial complex. Preparation for construction is underway and is expected to be completed in late 2022.

Silver Cove, Shilong Town, Dongguan (100% owned)

This project located in the Xihu Village of Shilong Town enjoys an expansive river frontage and is within walking distance from Dongguan station. It has a total GFA of approximately 236,000 square metres offering 1,867 residential units for sale, and commercial portions with a GFA of approximately 11,600 square metres retained for rental. The development is completed and approximately 95% of the residential units had been sold as of year-end.



Xinhuaazhen West Site, Guangzhou

Hengjiang Village, Chashan, Dongguan (100% owned)

This project, located in Hengjiang Village, Chashan, is in close proximity to Dongguan Metro Station and Dongguan Rail Transit Line 2. It has a total GFA of approximately 159,000 square metres and is being developed into approximately 1,200 residential units with approximately 2,000 square metres of commercial facilities. It is expected to be launched for sale in the second half of 2020. Construction works are in progress with expected completion in 2021.

J City, Jianghai Site No. 02 & Site No. 12, Jiangmen (100% owned)

The project is located in Jianghai District, next to the Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Rail Transit. It comprises two adjacent land sites which are being developed into residential units with commercial and retail portions with a total GFA of approximately 278,600 square metres. It provides the market approximately 2,300 units in 20 residential buildings. Construction works are in progress with expected completion in early 2021.

Jiajun Garden, Xinhui Site No. 03, Xinhui District, Jiangmen (50% owned)

This site is located in the area of Jiangmen Avenue, at the heart of transportation networks, schools and commercial areas. It has a total GFA of approximately 100,000 square metres and is being developed into residential buildings. Pre-sales were launched in January 2020 after sales consent was granted. Construction works are in progress with expected completion in 2021.

Site JCR2018-127 (Xinhui Site No. 17), Xinhui District, Jiangmen (30% owned)

This new joint venture project, located in the area of Jiangmen Avenue, is close to various transportation networks, schools and commercial areas. It has a total GFA of approximately 74,100 square metres and will be developed into residential buildings with commercial and retail facilities. Planning and design work is underway. Construction is expected to be commenced by 2020.



Hengjiang Village Project, Chashan, Dongguan

(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 the year. Upon renewals of existing tenancies, the average rental rate continued to maintain a moderate increase and execution of new tenancies provided satisfactory rental income for the Group.

Stanford Residences, Shanghai (100% owned)

The Group is dedicated to providing a privileged lifestyle residential environment for tenants in pursuit of high-end modern living. "Stanford Residences" including "Jing An", "Xu Hui" and "Jin Qiao" with a total GFA of approximately 71,000 square metres, offer everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. Throughout the year, they all achieved high

occupancy with an overall average of 85% and contributed stable rental income to the Group.

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, offers consumers a variety of leisure, food and beverage experiences. It has been well received, with over 85% leased as of year-end.

Cove Gala, Dongguan (100% owned)

Cove Gala, a commercial complex situated within Silver Cove, has a total GFA of approximately 11,600 square metres. It provides daily needs for residents, as well as being a popular destination for the surrounding neighbourhood by offering consumers a wide variety of entertainment, leisure and food and beverage experiences. It has been well received, with nearly 80% leased as of year-end.



J City, Jiangmen

Huadu Jiahua Plaza, Guangzhou (100% owned)

Following the launch of leasing activities in late 2018, the office tower and retail portions of the third and fourth phases became fully operational in the second half of the year. Together with the office building of phase one, the aggregate GFA of Huadu Jiahua Plaza held for rental is approximately 51,000 square metres with an overall average occupancy of 50% as of year-end.

EDGE, Suzhou Creek, Jingan District, Shanghai (53.61% owned)

EDGE located by Suzhou Creek in Jingan District, with a total GFA of approximately 20,000 square metres, is close to various transportation networks and connected to Qufu Road Station which is an interchange station for Line 8 and Line 12 of the Shanghai Metro. The development was completed in December and has launched to the market for leasing. The Group intends to hold it for long term investment.

Investment in GEG

The Group keeps a non-current investment of 162 million shares, or approximately 3.75% interest, in GEG at fair value. It represented 12.5% of the Group's total assets as of 31 December 2019. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

As of 31 December 2019, the share price of GEG increased by approximately 15% to HK\$57.4 from HK\$49.8 as of 31 December 2018. The increase in fair value of approximately HK\$1,235 million was credited to reserve. During the year, the Group received a cash dividend of approximately HK\$148 million from GEG. The audited consolidated profit attributable to equity holders of GEG for the year ended 31 December 2019 was HK\$13,042 million, while the audited consolidated net asset value attributable to equity holders of GEG as at 31 December 2019 was HK\$73,587 million.



Shanghai K. Wah Centre



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

Management Discussion and Analysis

GEG, as stated in its 2019 annual results announcement, is uniquely positioned to capitalise the future growth potential on significant demand of Mainland China for leisure, tourism and travel by having the greatest development pipeline in Macau with Phases 3 & 4. Its strong and healthy balance sheet enables GEG to return capital to shareholders through special dividends, fund its development pipeline and its international expansion opportunities. The Board continues to view this as a sound and long term investment.

OUTLOOK

Hong Kong property market

Hong Kong recorded its first negative growth since 2009 at 1.2% for the year. The government forecasted the GDP growth rate for 2020 to be between -1.5% and 0.5% while from 2021 to 2024 to be maintained an average in the medium term of 2.8%.

Hong Kong was first hit by the Sino-US trade war in the year but the strong pent-up underlying demand in the second half of 2018 pushed residential property price and primary transactions up in the first half of the year. Nevertheless, the property

market cooled down in the second half of the year due to the social unrest since June which affected both the tourism industry and domestic consumption sentiment, while also hurting investors' confidence. The property market turned active in November following the relaxation of mortgage ceilings for properties below HK\$8 million and HK\$10 million to 90% and 80% respectively. Despite the positive progress in the trade talks between Mainland China and the US and the slowing down social unrest locally, the property market commenced its consolidation quickly upon the outbreak of COVID-19 in January 2020, seeing transaction prices and volumes adjusting. Nevertheless, we expect the underlying demand, the liquidity in the market and the low interest rate environment will all help in supporting the property market.

Mainland China property market

China's GDP grew 6.1% in the year, only on the low end of the government's target, as affected by the trade conflict with the US. International Monetary Fund lately revised its forecast of China's GDP growth to be 5.6% for 2020 after the outbreak of COVID-19.



EDGE, Shanghai

Home price and transaction volume remained stable in Mainland China in the year as supported by the genuine underlying demand. The government introduced many policies and is expected to continue to implement more to facilitate the co-operation within the cities cluster in the Yangtze River Delta and that in the Greater Bay Area where we have our operations focused on. Despite the pandemic had interrupted substantial business activities in Mainland China after the Chinese New Year, the situation becomes more under control recently. The property market turns softened at the moment and there will be challenges ahead. We however remain cautiously positive on the property market demand after the pandemic, particularly, with the government's various measures to support its economy and its solid economic fundamentals.

Project sales and progress

Hong Kong

In Hong Kong, handover of the sold units of K. City commenced immediately upon the certificate of compliance was granted in late November 2018. Approximately 30% of units pre-sold were yet to be handed over to buyers in 2018 but in the first half of 2019 with the related sales then recognised. Following sales for further units in the year, the

Group will continue to market the project's remaining 5 special units and several carparks in 2020. Construction for Solaria in Tai Po progressed as scheduled. Pre-sales of the project launched in June 2018 received overwhelming responses with 880 units sold with contracted sales of approximately HK \$7.5 billion as of the year end. Sales will be recognised upon delivery of sold units to buyers commenced in late February 2020. Following the first launch of K. Summit in December and opening of the Kai Tak Station on the MTR Tuen Ma Line in February 2020, the Group will, subject to market conditions, launch further units to the market to meet buyers' demand. Development of its joint venture projects for Cheung Sha Wan and Kam Sheung Road progressed as scheduled with pre-sale of the Cheung Sha Wan project expected to be launched in the second half of 2020.

Mainland China

In Mainland China, the Group launched the completed Phase III of The Palace Shanghai for sale in March upon obtaining sale consent receiving an overwhelming response. The Group also continued to market its completed projects, Windermere in Shanghai and the apartments in Phase III of Huadu Jiahua Plaza first launched for sale in December



K. Wah Plaza, Huadu and Crowne Plaza Guangzhou Huadu

Management Discussion and Analysis

2018. Handover of the sold units of the above and The Peak in Nanjing was substantially completed in the year and sales recognised. Handover of remaining sold units of these projects will continue in 2020.

Development of the Group's wholly owned and joint venture projects in Jiangmen progressed as scheduled, with Jiajun Garden, a joint venture project, launched for sale in early 2020. The Group's wholly-owned project, J City, in Jiangmen is also expected to be launched for sale in 2020. Construction of Royal Creek, a 33% owned project in Nanjing with only a few units remain available for sale, was completed by December with handover of presold units in progress. Development of the Group's other joint venture projects in Kunshan, Suzhou and Jiaxing progressed as scheduled with majority of units sold in Kunshan and Jiaxing as of the year end. The Group will also launch its new projects, Lot 42 in National Hi-Tech District, Suzhou and Hengjian Village, Chanshen, Dongguan for sale in the second half of 2020. The Group will also continue to market its remaining units in various projects in Mainland China.

Land bank replenishment

The Group in accordance with its prudent and proactive strategy acquired interests in six land sites in Hong Kong and Mainland China on its own or via joint ventures. It will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in the softening land market in Hong Kong and Mainland China, taking into account of the prevailing market uncertainties.

Recurring income

Following the completion of the office project EDGE in Shanghai, the building with a GFA of approximately 20,000 square metres was transferred to investment property for rental. Leasing activities have been commenced with favourable market response. The commercial portion in The Peak, Nanjing, with approximately 8,000 square metres, became operational in the year, was also transferred to investment property. As a result, the Group's investment property portfolio grew from approximately 240,000 square metres as of 31 December 2018 to approximately 268,000 square metres as of year-end. With our newly acquired commercial land at Wuyi Road, Changning, in Shanghai and the commercial portions of our



Wuyi Road Project, Changning District, Shanghai

projects under development to be held for rental, we are on track to enlarge our portfolio for recurring income.

Nevertheless, the pandemic had hit the rental markets in Hong Kong and Mainland China and the Group had provided short-term rental concession to some tenants in support of them.

Dividend derived from our approximately 3.75% interest in GEG remains a stable source of our recurring income.

Conclusion

The consequential impact of the pandemic to the world is yet to be fully reflected. Global financial markets are recently very volatile. Implementation of phase one of the trade agreement between Mainland China and the US, and pending negotiation on its phase two also cast uncertainty and volatility on the economic growth of Hong Kong and Mainland China, and also globally in 2020.

The US Federal Reserve cut its interest rate twice for a total of 1.5% in two weeks from March 2020 in response to the pandemic. Global and Hong Kong's

interest rates will remain low. Unemployment rate in Hong Kong is on the rising trend as a result of social unrest and the pandemic. The Hong Kong property market will largely continue its consolidation in the near future. Mainland China has been implementing stabilizing measures to stimulate its economy despite the trade conflict with the US and the pandemic. Mainland China will continue to outperform many developed countries and its property market remains generally stable.

Despite this challenging business environment, the Group remains cautiously optimistic about the Hong Kong and Mainland China property market demand. With a pragmatic mindset backed by our wealth of experience, the Group will overcome the prevailing challenges and continue to stably develop its business. The Group will continue to develop our existing projects and to have the projects in our pipeline launched as scheduled, as well as to further replenish our land bank in a cautious and disciplined manner. The Group, with its solid financial resources, is well positioned to capture any opportunities in the softened market, both in Hong Kong and Mainland China.



Cove Gala, Dongguan

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory throughout the year. As of 31 December 2019, total funds employed (being total equity and total borrowings and guaranteed notes) was HK\$61 billion (2018: HK\$56 billion). The number of issued shares of the Company increased to 3,125,174,615 as of 31 December 2019 (2018: 3,124,854,615) as a result of the exercise of share options during the year.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short-to-medium-term rolling basis and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2019, the Group's borrowings of bank loans and guaranteed notes were HK\$20,441 million. Except for an amount of HK\$233 million which is due after 5 years, the maturity profile for the rest spread over a period of up to five years with 21% is repayable within one year. The average interest rate for the Group during the year was approximately 2.9% as a result of the rising HIBOR.

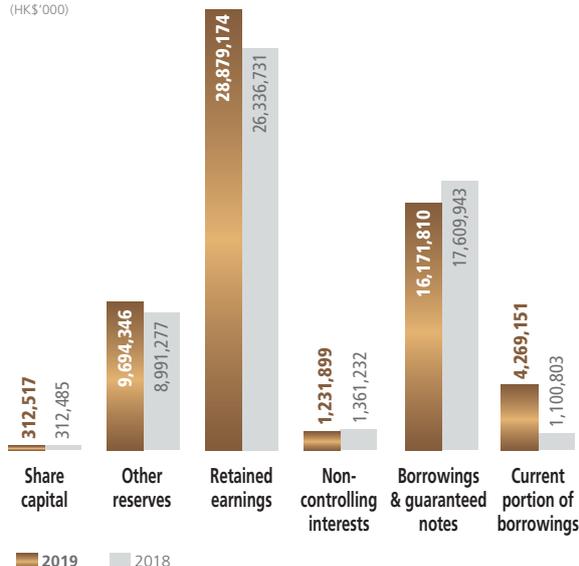
As of 31 December 2019, the Group had available undrawn banking facilities totaling HK\$15,994 million comprising HK\$10,179 million for working capital and HK\$5,815 million for project facility purposes.

As of 31 December 2019, cash and bank deposits stood at HK\$5,443 million, and approximately 61% 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 37% as of 31 December 2019 (2018: 30%).

A 4-year revolving credit and term loan facility of HK\$4 billion was executed in March 2020 for refinancing at favourable cost and enhancing the Group's funding capability.

Sources of Funding

As at 31 December 2019
(HK\$'000)



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. Accordingly, interest rate swap contracts for the total amount of HK\$1 billion were executed for 3 years and 5 years in the year. Contracts for further sum of HK\$1.3 billion were executed after the year end.

Of the Group's bank loans and guaranteed notes of HK\$20,441 million as of 31 December 2019, approximately 95% 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 fixed rate basis.

Charges on Group Assets

As of 31 December 2019, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$18,504 million (2018: HK\$15,962 million, including leasehold land and land use rights) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2019, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures amounting to HK\$7,483 million (2018: HK\$3,609 million), of which facilities totaling HK\$5,867 million (2018: HK\$2,880 million) have been utilised. In addition, the Group provided guarantees amounting to HK\$1,186 million (2018: HK\$1,081 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

As of 31 December 2019, the Company has executed guarantees in favour of banks, in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK\$32,364 million (2018: HK\$28,347 million) and HK\$7,453 million (2018: HK\$3,609 million) respectively. Of these, facilities totaling HK\$18,685 million (2018: HK\$16,953 million) and HK\$5,867 million (2018: HK\$2,880 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2019, the Group, excluding its associated companies and joint ventures, employs 1,017 employees in Hong Kong, Mainland China and Singapore. Employees costs, excluding Directors' emoluments, amounted to approximately HK\$416 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 has prepared a report for 2019 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 are presented in this discussion.

The Group is determined to safeguard the environment and natural resources through environmental stewardship, green building development and various sustainability enhancement measures. We continue to align our business with industry standards and ensure we strictly adhere to all relevant laws and regulations regarding environmental protection. To drive positive impacts efficiently and effectively, we have focused our sustainable development initiatives around the aspects most relevant to our business, which include optimising energy use and reducing emissions across our operations. We are pleased to receive market recognition for our endeavours such as LEED GOLD pre-certification for EDGE in 2017, our Suzhou Creek office project in Shanghai, and inclusion into constituent of the Hang Seng Corporate Sustainability Benchmark Index since 2018. Industry benchmarking is an integral aspect of our sustainability journey as it enables self-evaluation and encourages us to continue to improve upon our past performance.

Management Discussion and Analysis

The Group takes a holistic approach in managing its sustainability performance, as we ensure our environmental policies and strategies are well implemented within our daily operations across the organisation. We start at the ground-level by raising our employees' awareness of the Group's emissions and energy efficiency supplemented by various asset-level initiatives such as upgrading existing hardware to newer and more efficient models. As a result of collaborative efforts within the Group, our emissions and energy intensity levels have dropped significantly over the reporting period.

Account of Key Relationships with Employees, Customers and Suppliers

As an integral part of the Group's operation, engaging our stakeholders in a collaborative manner is essential. To maintain a healthy relationship with stakeholders, we constantly communicate with them and understand their needs and expectations.

Employees

We value the well-being of our employees as they are the Group's most important asset. We work diligently to provide a safe and comfortable working environment and to ensure they feel supported by the Group. We provide attractive remuneration packages and benefits to our staff including complimentary vaccinations against influenza and other medical benefits including dental care. We believe that cultivating an inclusive work environment enhances an employee's sense of belonging and promotes more effective communication. Moreover, we are committed to creating a workplace which values mutual respect and is free from prejudice and discrimination. To help our workforce realise their full potential, we also strengthened our continuous development and training programmes through the introduction of a new e-learning platform which enables flexible learning to meet staff needs.

Customers

The Group places utmost importance on the quality of our products and customer service. We ensure all contractors possess the ISO 9000 quality management system certification for projects in Hong Kong. For projects which will be assessed under the Building Environmental Assessment Method ("BEAM"), a qualified BEAM coordinator/consultant will be appointed. Projects in Mainland China are managed by Standard Operating Procedures which include provisions for inspection to ensure full compliance with all relevant regulations.

We address customers' concerns by handling complaints in accordance with standard procedures. All cases are addressed in a timely and consistent manner.

Suppliers

We strictly comply with Standard Operating Procedures relating to the communication of our expectations on quality, Occupational Health and Safety requirements and regulatory compliance. Our management approach stresses quality control measures and regular audits to ensure our stringent requirements are met.

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

During the reporting year, the Group did not receive any reported cases of non-compliance with the relevant laws and regulations regarding the environment, labour standards, occupational health and safety, anti-corruption, or data privacy in Hong Kong and Mainland China.

Investor Relations



KWIH is a constituent stock of the Hang Seng Composite MidCap Index, Hang Seng Corporate Sustainability Benchmark Index and MSCI Hong Kong Small Cap Index as well as an eligible stock under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programmes.

KWIH strives to ensure the ongoing two-way communications and cultivates mutual trusts with our shareholders, investors and stakeholders. By adhering to its core value of upholding the highest standard of integrity and accountability, KWIH discloses information appropriately in a timely and transparent manner.

The Group discloses corporate information in compliance with relevant laws and policies as prescribed by the regulatory authorities. Apart from the official website, KWIH has been dedicated to exploring diversified communication means to disclose its announcements, press releases and financial reports so that investors globally can access its latest financial situation, development plans and business strategies in a timely manner, while deepening their understanding of the Group. Senior management is proactive in attending regular briefing sessions on financial results for investors and analysts, project site tours, investor relations

meetings and roadshows in Hong Kong and overseas. Feedbacks collected from market were exchanged with relevant management and directors in order to maximize the value of the company.

During the year under review, KWIH was proud to receive an array of awards and certifications. The Group won Outstanding Corporate Governance by Quamnet for the third consecutive year and HKIRA Certificate of Excellence, recognising its excellence in upholding the highest standard of corporate governance and investor relations performances. With the theme of "Delivering Value with Distinctive Quality", KWIH Annual Report 2018 won four international awards, including Silver Award and the "Top 100 Global Communications Materials" in 2019 Spotlight Awards; Honors Award in "Cover Photo/Design: Real Estate Integrated Development & Investment" in 2019 International Annual Report Competition (ARC) Awards; Bronze award in "Residential Real Estate/General — Integrated Presentation" and Silver award in "Real Estate Development — Integrated Presentation" in 2019 International Annual Report Design Awards (IADA). The above awards testified the dazzling sales results of the Group's premium projects and manifested the recognitions received from the market.



Corporate Social Responsibility



KWIH is committed to creating positive impacts on our communities whilst expanding our business. In tandem with the philanthropic spirit of “giving back to the society”, we have been delivering extensive outreach programmes and various initiatives for our people, the youth, the community as well as the environment.



EMPOWERING OUR PEOPLE

The physical and mental health of our employees are of the utmost importance. To improve the well-being of our employees, we provide them with seasonal fruits on a regular basis, organize a series of recreational activities such as fitness classes, health talks and interest classes. Festive parties are also held to promote work-life balance. In addition, the regional offices of the Group also organize team development activities regularly to enhance their teamwork, perseverance and innovation.

CULTIVATING TALENTS

KWIH has always charged itself with the mission of nurturing future leaders. In addition to the annual “Summer Internship Programme” conducted at the headquarters in Hong Kong, KWIH also endorsed the “Shanghai-Hong Kong Future Leaders Internship Programme” hosted by the Hong Kong-Shanghai Youth Association for three consecutive years and participated for the first time in the “2019 Summer Internship Tour” hosted by the Hong Kong Chamber of Commerce in China, aiming to identify potential university students and better prepare them with knowledge in the property industry in Hong Kong and Mainland China.

Meanwhile, the Group launched its first “Management Trainee Programme”. The two-year programme aims to attract high-calibre talents and equip them as future business leaders. The management trainees will rotate across different departments to acquire the necessary skills to fast track into managerial roles and gain a deep understanding of the Group’s operations.



PROMOTING ARTS & CULTURE

In order to promote the popularity and diversification of opera, KWIH continued to work closely with Opera Hong Kong in 2019 for six opera performances and events, attracting more than 7,000 audiences in town. Additionally, we supported the performances of K. Wah Opera Hong Kong Summer School 2019 — The Music Man Jr., the K. Wah Opera Hong Kong Children Chorus Annual Concert 2019, mini-tours and mini-concerts, offering around 250 local children and young artists an opportunity to demonstrate their talent on stage as well as cultivating their interest in performing arts.



CARING FOR COMMUNITY

The Group is devoted to supporting charity causes. In 2019, Guangzhou Huicheng office of KWIH donated RMB100,000 to Guangzhou Huadu Charity Association with an aim to provide assistance to single mothers in the district. Riding on the "1 June Children's Day", voluntary staff from KWIH Shanghai, Nanjing and Suzhou participated in the "Care for Children" campaign with several non-profit organizations.



PROTECTING ENVIRONMENT

KWIH sponsored "Walk for Nature" hosted by World Wildlife Fund Hong Kong for the first time in 2019. The participants walked along the path at Mai Po Nature Reserve to enjoy the beautiful scenery and discover the unique plants and animals in wetland habitats. They also had fun at interactive check-points to learn about the importance of conserving natural environment and biodiversity.



J SENSES
HONG KONG



PALACE LANE
SHANGHAI

Corporate Governance Report

As at 24 March 2020

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

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 non-executive Director ("NED") and the independent non-executive Directors ("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"), 1 NED and 4 INEDs; with two of the INEDs have accounting professional qualifications. The biographical details of the current Directors are set out on pages 49 to 52 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.

Corporate Governance Report

As at 24 March 2020

Board Practices In 2019, the Board held 4 Board meetings 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.

In addition to Board meetings, the Chairman also has regular gatherings with INEDs only without the presence of EDs and NED to consider issues concerning about the business and affairs of the Company in an informal setting. The INEDs are free to express their independent views to the Board.

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 2019. The Company receives notification from each Director on an annual basis a list showing the nature of offices he/she 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.

Directors' attendance at Board and other meetings in 2019 is as follows:

Name of Directors	Meetings attended/Eligible to attend				
	Board Meeting (4)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Nomination Committee Meeting (1)	Annual General Meeting (1)
Executive Directors					
Lui Che-woo (<i>Chairman & Managing Director</i>) ¹	4/4	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung ²	—	N/A	N/A	N/A	—
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	4/4	2/2	N/A	N/A	1/1
Independent Non-executive Directors					
Robin Chan Yau Hing ⁵	1/2	N/A	N/A	N/A	—
William Yip Shue Lam	4/4	2/2	1/1	1/1	1/1
Au Man Chu	4/4	2/2	N/A	N/A	1/1
Wong Kwai Lam	3/4	N/A	1/1	1/1	1/1
Nip Yun Wing ⁶	2/2	N/A	N/A	N/A	N/A
Average attendance rate	83%	100%	100%	100%	78%

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.
5. Dr. Robin Chan Yau Hing had retired as an INED with effect from 5 June 2019.
6. Mr. Nip Yun Wing was appointed as an INED and a member of the Audit Committee with effect from 12 July 2019 and 1 March 2020 respectively.

Corporate Governance Report

As at 24 March 2020

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 Board members 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 2020 annual general meeting (“2020 AGM”) of the Company, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (all EDs) will retire by rotation and, being eligible, offer themselves for re-election.

In addition, according to Bye-law 100 of the Bye-laws of the Company, Mr. Nip Yun Wing, being an INED appointed by the Board during the year, will hold office until the 2020 AGM and, being eligible, offer himself for re-election at the 2020 AGM.

Particulars of the said retiring Directors, the reason why the Board considers the INED subject to re-election continues to be independent and its recommendation to the Shareholders to vote in favor of 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 have 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 organises seminars for the Directors on the 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 “Hong Kong Opportunities Arising from Sino-US Trade War and the Greater Bay Area Initiative”;
- (2) seminar on “Hong Kong FinTech/Development of Virtual Banks”;
- (3) seminar on “Development and Effects of Sino-US Trade War”; and
- (4) seminar on “Blockchain”.

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 (<i>Chairman & Managing Director</i>)	(1),(2),(3),(4)	—
Francis Lui Yiu Tung	—	(1),(2),(3),(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	(1),(2),(4)	(3)
Independent Non-executive Directors		
Robin Chan Yau Hing (retired on 5 June 2019)	—	(1),(2)
William Yip Shue Lam	(1),(2),(3),(4)	—
Au Man Chu	(1),(2),(3),(4)	—
Wong Kwai Lam	(1),(2),(3)	(4)
Nip Yun Wing (appointed on 12 July 2019)	(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. Having made specific enquiry of all Directors, each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2019. 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 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);

Corporate Governance Report

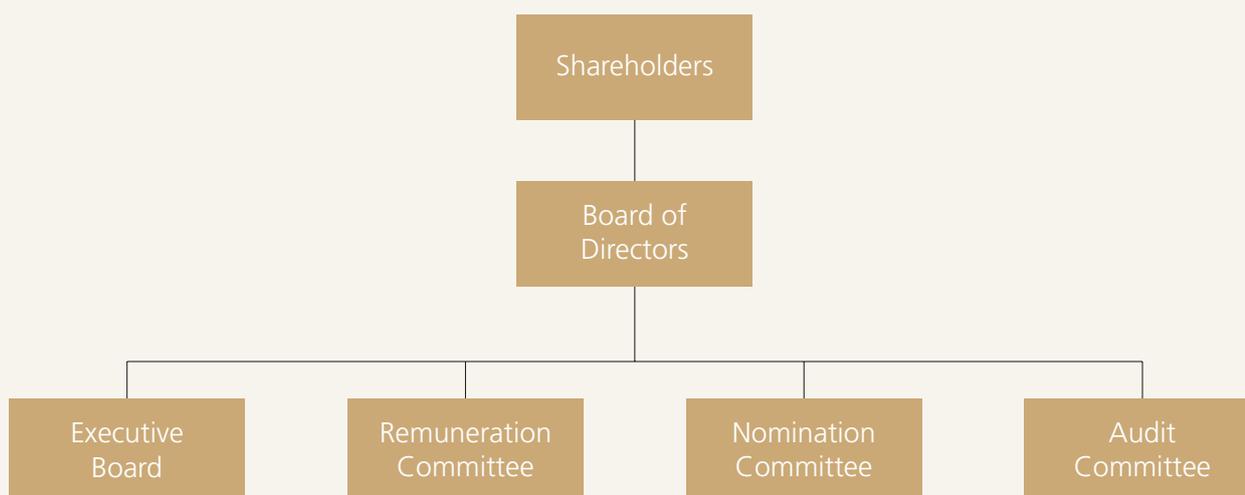
As at 24 March 2020

- 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 ("Nomination Policy"), the Model Code, the Corporate Governance Policy, the 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 the 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 other than instruments incidental to its financing on normal and usual course of business, 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, who is also the Managing Director to the Board and circulates its resolutions and minutes of the Board or committees or general meetings to all Directors on a quarterly basis. 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 39 (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 14 February 2019, reviewed and approved the 2018 year-end bonus paid to the EDs;
- on 13 March 2019, reviewed the level of Directors' fees for 2018 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2019;
- on 21 January 2020, reviewed and approved the 2019 year-end bonus paid to the EDs; and
- on 17 March 2020, reviewed the level of Directors' fees for 2019 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2020.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2019 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2020 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' emoluments and Five Highest Pay Individuals of the Group for the year ended 31 December 2019 are set out in notes 12(a) and 13 to the audited consolidated financial statements of the Group for the year ended 31 December 2019 ("2019 Financial Statements") respectively.

Nomination Committee The Nomination Committee currently comprises 3 members identified in the table on page 39 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.

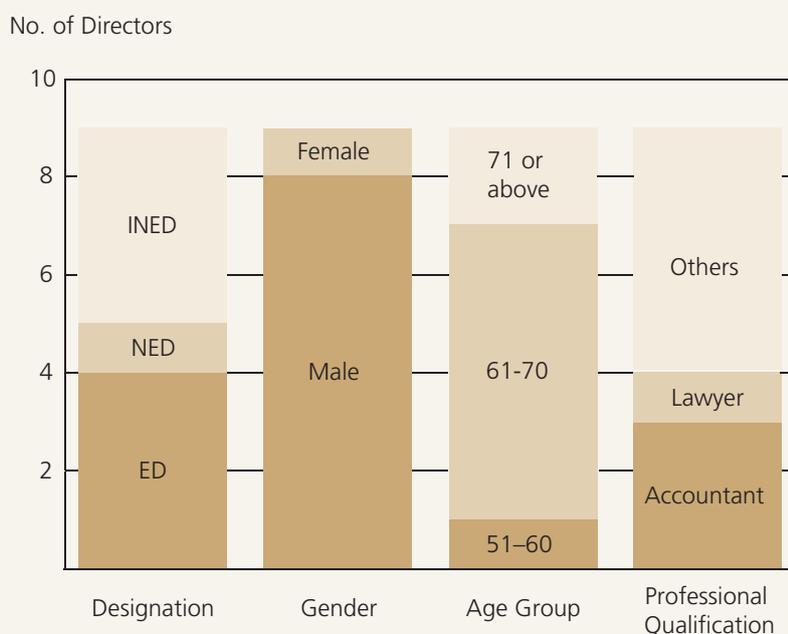
Corporate Governance Report

As at 24 March 2020

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, the Nomination Policy had been adopted by the Board on 22 March 2012 and was revised in March 2013 and March 2019 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, ethnicity, reputation for integrity, cultural and educational background, professional experience, skills, knowledge and other qualities relevant to duties 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 2019, the Nomination Committee met once in March 2019 with all members attended. At its meeting held on 17 March 2020, 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 reappointment of Directors at the 2020 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 24 March 2020 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 currently comprises 1 NED (Dr. Moses Cheng Mo Chi) and 3 INEDs (Dr. William Yip Shue Lam, Mr. Au Man Chu and Mr. Nip Yun Wing (who was appointed on 1 March 2020)), identified in the table on page 39 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 2019, the Audit Committee met twice in March 2019 for reviewing the Group's 2018 annual results and financial statements and in August 2019 for reviewing the Group's 2019 interim results and financial statements. At its meeting on 17 March 2020, the Audit Committee reviewed the Group's annual results and financial statements for 2019, 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 2020 AGM. An analysis of the fees for 2019 paid to external auditor appears in note 10 to the 2019 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 64 to 68 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 key updates giving a balanced, clear 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.

Corporate Governance Report

As at 24 March 2020

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 identified.

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 than 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 2019 and up to the date of the financial statements, there were no significant control failures 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 its Shareholders to attend annual general meetings and all its other shareholders' meetings to get informed of its progress and highlights. 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 2019 annual general meeting ("2019 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2019 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 and transfer office in Hong Kong had acted as the scrutineer for the vote-taking at the 2019 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 2019 AGM to Shareholders more than 20 clear business days before the 2019 AGM. The Chairman of the 2020 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2020 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 the principles of observing 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 2019, 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 90, 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 the 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 elected as a member of the Election Committee of the HKSAR in 2001, 2006 and 2011. 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 Asian Awards in 2014. Dr. Lui was awarded the Lifetime Achievement Award and the Outstanding Leadership in Social Responsibility Award by the World Travel Awards in 2015 and 2018 respectively. In 2019, Dr. Lui was awarded as one of the 20 Persons in 20 Years: the Most Valuable Persons of Macao's Tourism and Leisure Industry from 1999 to 2019 by the Macau University of Science and Technology. 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, betterment of the welfare of mankind, promotion of positive life attitude and enhancement of positive energy. Furthermore, Dr. Lui is Honorary 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 64, 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 13th 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, Tourism Development Committee and Cultural Consultative Committee of Macau SAR. He is also a director of the 70th Term of Macao Chamber of Commerce, an Honorary Chairman of the 20th Term of Kiang Wu Hospital Charitable Association, a member of the 10th Standing Committee of the All-China Federation of Returned Overseas Chinese, an executive director of the Chamber of Tourism of the All-China Federation of Industry and Commerce, a Forever Honorary Chairman of the Association of Macau Travel Industry Professionals and Counsellor of Our Hong Kong Foundation. 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. In 2019, Mr. Lui was honored as the most influential person in Asia's gaming industry at the 12th Inside Asian Gaming Power 50 Gala Dinner. Furthermore, Mr. Lui is the Honorary Citizen of each of Guangzhou Municipal, Shenzhen Municipal and Jiangmen Municipal. 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.

Biographical Information of Directors

Ms. Paddy Tang Lui Wai Yu, BBS, JP, aged 66, 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 57, 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 was a committee member of Guangdong Provincial Committee of the 11th Chinese People's Political Consultative Conference on 14 January 2013 and has been again elected as a committee member of Guangdong Provincial Committee of the 12th Chinese People's Political Consultative Conference in January 2018. Mr. Lui was elected as a committee member of Jiangmen 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 Jiangmen 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. In March 2018, he was appointed as the managing vice-chairman and a managing director of the 2nd Executive Committee of Hong Kong Federation of Guangzhou Associations and the honorary advisor of China (Guangdong) Pilot Free Trade Zone – Hengqin New Area of Zhuhai. He was also appointed as the honorary president of GMC Hong Kong Members Association on 15 November 2018. He has been appointed as the honorary chairman of the 3rd Members Association of Xinhui District Daze Town on 19 December 2019. He is the First Vice-President of The Hong Kong Real Property Federation. 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.

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*, aged 70, 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, The Hong Kong and China Gas Company 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 Tian An China Investments Company Limited (a public listed company on the Main Board of the HK Stock Exchange). Dr. Cheng is also the chairman of the Insurance Authority. 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. He had retired as a non-executive director of Kader Holdings Company Limited (a public listed company on the Main Board of the HK Stock Exchange) with effect from 1 May 2019. He had ceased as an independent non-executive director of OTC Clearing Hong Kong Limited (a subsidiary of Hong Kong Exchanges and Clearing Limited) with effect from 1 July 2019. 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. William Yip Shue Lam, *LLD*, aged 82, has been an independent non-executive Director and the chairman of the 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, became a director in October 2013 and elected the chairman in December 2019 again. 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 69, 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.

Biographical Information of Directors

Mr. Wong Kwai Lam, aged 70, 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. 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 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 has been appointed as the chairman of the Chamber of Hong Kong Listed Companies with effect from 4 June 2019. 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. Mr. Wong has ceased as an independent non-executive director and chairman of the remuneration and appraisal committee and a member of the audit committee of China Merchants Bank Co., Ltd. (a public listed company on the Main Board of the HK Stock Exchange and The Shanghai Stock Exchange) on 30 November 2018. He has resigned as a director and the chairman of Opera of Hong Kong Limited on 14 March 2019. Save as disclosed herein, he has no previous directorships in other publicly-listed companies in the last 3 years.

Mr. Nip Yun Wing, aged 66, has been appointed as an independent non-executive Director of the Company since July 2019. He has been appointed as a member of audit committee of the Company with effect from 1 March 2020. Mr. Nip holds a Master of Business Administration degree from The Chinese University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Nip has extensive experience in corporate finance, investment and management. Mr. Nip is currently an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Shenzhen International Holdings Limited (Stock Code: 00152). He was also an executive director and chief financial officer of China Overseas Land & Investment Limited (Stock Code: 00688) from 17 August 2009 and retired on 3 April 2018. Both companies are public listed companies on the Main Board of the HK Stock Exchange. Save as disclosed herein, he has no previous directorships in other public 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 2019 (“2019 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 and Mainland China, and their activities are set out in note 43 to the 2019 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 by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019, 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”, “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 2019 Financial Statements on pages 69 to 138 of this annual report set out the results of the Group for the year ended 31 December 2019.

An interim cash dividend of HK\$0.06 per ordinary share of the Company (“Share”) was paid during the year. The Board recommends the payment of a final cash dividend of HK\$0.14 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.20 (2018: HK\$0.20 per Share). Details of dividends are set out in note 16 to the 2019 Financial Statements.

DIVIDEND POLICY

The Board had adopted a dividend policy on 20 March 2019 that, in deciding whether to propose a dividend and the amount, if applicable, the Board shall take into account (i) the Group’s actual and expected operating results; (ii) the Group’s working capital requirements and future investment opportunities; (iii) the Group’s financial and liquidity position; (iv) any statutory and contractual restrictions on payment of dividends; and (v) any other factors that the Board consider relevant.

SHARES ISSUED

Note 28 to the 2019 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.

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 2019, calculated under Companies Act 1981 of Bermuda, amounted to HK\$1,013,191,000 (2018: HK\$1,425,277,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$2,354,000 (2018: HK\$4,016,000).

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2019 for investment and development purposes are set out on pages 139 to 140 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 (retired on 5 June 2019), Dr. William Yip Shue Lam, Mr. Au Man Chu, Mr. Wong Kwai Lam and Mr. Nip Yun Wing (appointed on 12 July 2019).

Biographical details of the current Directors are set out on pages 49 to 52 of this annual report.

In accordance with bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, all being the executive Directors, will retire by rotation at the forthcoming 2020 annual general meeting of the Company ("2020 AGM") and, being eligible, offer themselves for re-election at the 2020 AGM.

In addition, according to bye-law 100 of the Bye-laws of the Company, Mr. Nip Yun Wing, being the independent non-executive Director appointed by the Board during the year, will hold office until the 2020 AGM and, being eligible, offer himself for re-election at the 2020 AGM.

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 2020 AGM, the following fees in respect of year ended 31 December 2019 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	232,000	200,000
Audit Committee	146,000	125,000
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, non-executive Director and independent non-executive Directors) on a named basis are set out in note 12(a) to the 2019 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 2019 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As of 31 December 2019, 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 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

Name of Directors	Number of Shares (including Underlying Shares)					Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Lui Che-woo	30,605,941	8,317,120 ⁽¹⁾	300,814,213 ⁽²⁾	1,644,834,769 ⁽³⁾	1,984,572,043	63.50
Francis Lui Yiu Tung	11,138,035	–	–	1,644,834,769 ⁽³⁾	1,655,972,804	52.99
Paddy Tang Lui Wai Yu	27,557,605	–	–	1,644,834,769 ⁽³⁾	1,672,392,374	53.51
Alexander Lui Yiu Wah	19,751,428	–	4,005,183 ⁽⁴⁾	1,644,834,769 ⁽³⁾	1,668,591,380	53.39
Moses Cheng Mo Chi	849,175	–	–	–	849,175	0.03
William Yip Shue Lam	1,052,726	–	–	–	1,052,726	0.03
Au Man Chu	847,568	–	–	–	847,568	0.03
Wong Kwai Lam	1,040,000	–	–	–	1,040,000	0.03
Nip Yun Wing	–	–	–	–	–	–

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.

Report of the Directors

(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 2019, 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 2019, 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	Capacity	Number of Shares (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited ⁽¹⁾	Trustee	1,646,076,737	52.67
CWL Assets (PTC) Limited	Trustee	1,644,834,769	52.63
Super Focus Company Limited	Beneficial owner	1,120,247,673	35.85
Star II Limited	Interest of controlled corporation	264,752,460	8.47
Favor Right Investments Limited	Beneficial owner	211,594,444	6.77
Premium Capital Profits Limited	Beneficial owner	184,229,079	5.90
Lui Che Woo Foundation Limited	Beneficial owner	172,487,639	5.52

Note:

(1) HSBC International Trustee Limited is the trustee of a trust established by Dr. Lui Che-woo as the settlor, was interested in 1,644,834,769 Shares of the Company.

There was duplication of interests of 1,644,834,769 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, 1,120,247,673 Shares were interested by Super Focus Company Limited, 48,240,192 Shares were interested by Best Chance Investments Ltd., 211,594,444 Shares were interested by Favor Right Investments Limited, 184,229,079 Shares were interested between Premium Capital Profits Limited and Star II Limited and 80,523,381 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2019 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.

(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 60,408,000 and 169,959,221 respectively, which represented approximately 1.93% and 5.44% 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.

Particulars of the movement of the options held by each of the Directors, the employees and consultants of the Company and its affiliates and other qualifying grantees in aggregate under the Share Option Scheme during the year ended 31 December 2019, were as follows:

Holders	Date of grant	Number of options				Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2019	Exercised during the year	Lapsed during the year	Held at 31 December 2019		
Lui Che-woo	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
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Francis Lui Yiu Tung	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
	18 Jul 2018	1,300,000	–	–	1,300,000	4.520	18 Jul 2019–17 Jul 2024
Paddy Tang Lui Wai Yu	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
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Alexander Lui Yiu Wah	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
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Moses Cheng Mo Chi	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
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
William Yip Shue Lam	30 Sep 2014	160,000	–	–	160,000	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
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
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
Wong Kwai Lam	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
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
Nip Yun Wing ^(a)	–	–	–	–	–	–	–
Employees ^(b) (in aggregate)	21 Jan 2013	2,120,000	–	2,120,000	–	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,860,000	–	–	2,860,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	1,070,000	–	–	1,070,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	6,060,000	–	150,000	5,910,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	7,996,000	–	200,000	7,796,000	4.520	18 Jul 2019–17 Jul 2024
Consultants ^(c) (in aggregate)	21 Jan 2013	300,000	–	300,000	–	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	740,000	–	300,000	440,000	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	980,000	–	200,000	780,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	730,000	–	180,000	550,000	4.520	18 Jul 2019–17 Jul 2024
Other ^(d)	30 Sep 2014	160,000	160,000 ^(e)	–	–	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	160,000	160,000 ^(f)	–	–	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	160,000 ^(g)	–	4.520	18 Jul 2019–17 Jul 2024

Report of the Directors

Notes:

- (a) Mr. Nip Yun Wing was appointed as an independent non-executive Director of the Company with effect from 12 July 2019.
- (b) Employees include associates of Directors and the movements in the options held by each of the associates of Directors during the year shown above were as follows:

Name	Date of grant	Held at 1 January 2019	Exercised during the year	Lapsed during the year	Held at 31 December 2019	Exercise price per Share (HK\$)	Exercise period
Tang Eugene Justin Yue	30 Sep 2014	50,000	-	-	50,000	4.500	30 Sep 2015–29 Sep 2020
Chung	17 Jul 2017	120,000	-	-	120,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	130,000	-	-	130,000	4.520	18 Jul 2019–17 Jul 2024

- (c) Options were re-categorized from "Employees and others (in aggregate)" to "Consultants (in aggregate)" during the year.
- (d) Following the retirement of Dr. Robin Chan Yau Hing as an independent non-executive Director of the Company on 5 June 2019, all outstanding options granted to him were re-categorized from "Director" to "Other" during the year.
- (e) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$4.620 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\$4.620 per share.
- (g) Upon the retirement of Dr. Robin Chan Yau Hing as an independent non-executive Director of the Company on 5 June 2019, the unvested options were lapsed immediately.

No option was granted and cancelled during the year.

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 TRANSACTION

During the year ended 31 December 2019, the Company had the following continuing connected transaction, details of which are set out below:

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 2019, the aggregate annual rent of HK\$14,288,000 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.

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.

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 (Revised) "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.

Save as disclosed above, none of the related party transactions (as defined in HKAS 24 — Related Party Disclosures) entered into by the Group during the year ended 31 December 2019 disclosed in note 40 to the 2019 Financial Statements falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN 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.

Report of the Directors

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 2019, 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	2,754,440	685,201
Current assets	78,806,809	20,782,188
Current liabilities	(9,008,385)	(2,373,052)
	72,552,864	19,094,337
Share capital	2,406,150	889,873
Reserves	5,081,062	1,454,245
Amounts due to shareholders	45,771,349	10,636,636
Non-current liabilities	19,294,303	6,113,583
	72,552,864	19,094,337

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 2019 Financial Statements, is shown on pages 6 to 7 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019:

- (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	29%
Five largest suppliers	64%

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 2019 Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM.

On behalf of the Board

Lui Che-woo

Chairman and Managing Director

Hong Kong, 24 March 2020

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 69 to 138, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 ("HKSA") 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.

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

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\$15,140,988,000 as at 31 December 2019 of 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 and properties under development 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 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.

How our audit addressed the Key Audit Matter

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 2019 was HK\$28,269,442,000. 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.

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 HKSAAs 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 HKSAAs, 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. Cho Kin Lun.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 March 2020

Consolidated Profit and Loss Statement

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	7	10,651,931	10,759,792
Cost of sales		(5,047,714)	(5,929,784)
Gross profit		5,604,217	4,830,008
Other operating income		372,657	270,445
Other net gains/(losses)		18,273	(70,187)
Fair value gain on transfer of development properties to investment properties	8	3,188	1,105,792
Change in fair value of investment properties		35,147	310,846
Other operating expenses		(477,181)	(492,647)
Administrative expenses		(507,978)	(490,044)
Finance costs	9	(10,958)	(12,465)
Share of profits of joint ventures		231,712	14,980
Share of profits of associated companies		30,323	71,776
Profit before taxation	10	5,299,400	5,538,504
Taxation charge	14	(2,063,286)	(1,361,800)
Profit for the year		3,236,114	4,176,704
Attributable to:			
Equity holders of the Company		3,149,738	4,046,390
Non-controlling interests		86,376	130,314
		3,236,114	4,176,704
Earnings per share	15	HK cents	HK cents
Basic		100.79	129.51
Diluted		100.67	129.34

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	3,236,114	4,176,704
Other comprehensive income/(loss):		
<i>Item that will not be reclassified to profit and loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	1,234,878	(2,096,044)
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	(553,386)	(1,093,927)
Other comprehensive income/(loss) for the year	681,492	(3,189,971)
Total comprehensive income for the year	3,917,606	986,733
Total comprehensive income attributable to:		
Equity holders of the Company	3,861,769	911,053
Non-controlling interests	55,837	75,680
	3,917,606	986,733

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	377,281	485,296
Investment properties	18	15,140,988	14,138,018
Right-of-use assets	19(a)	22,486	—
Leasehold land and land use rights	19(b)	—	17,149
Joint ventures	20	10,615,223	6,436,888
Associated companies	21	2,192,007	1,105,550
Financial assets at fair value through other comprehensive income	22	9,326,584	8,091,706
Deferred taxation assets	34	119,465	97,646
Derivative financial instruments	33	4,334	—
Other non-current assets	23	583,312	569,899
		38,381,680	30,942,152
Current assets			
Development properties	24	28,269,442	29,952,900
Inventories		1,658	2,226
Amount due from a joint venture	20	157,817	—
Amounts due from associated companies	21	15,707	5,165
Debtors and prepayments	25	625,445	587,070
Financial assets at fair value through profit or loss	26	1,312,704	498,915
Taxes recoverable		351,508	416,884
Cash and bank deposits	27	5,443,079	7,488,536
		36,177,360	38,951,696
Total assets		74,559,040	69,893,848
EQUITY			
Share capital	28	312,517	312,485
Reserves	30	38,573,520	35,328,008
Shareholders' funds		38,886,037	35,640,493
Non-controlling interests		1,231,899	1,361,232
Total equity		40,117,936	37,001,725

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	15,170,602	16,609,816
Guaranteed notes	32	1,001,208	1,000,127
Lease liabilities	19(a)	7,033	—
Deferred taxation liabilities	34	2,526,798	2,449,047
		18,705,641	20,058,990
Current liabilities			
Amounts due to joint ventures	20	1,260,655	1,243,750
Amounts due to associated companies	21	80,099	372,909
Creditors, accruals and other liabilities	35	1,412,838	1,669,632
Pre-sales deposits	36	5,944,004	6,261,399
Current portion of borrowings	31	4,269,151	1,100,803
Taxes payable		2,768,716	2,184,640
		15,735,463	12,833,133
Total liabilities		34,441,104	32,892,123
Total equity and liabilities		74,559,040	69,893,848
Net current assets		20,441,897	26,118,563
Total assets less current liabilities		58,823,577	57,060,715

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Cash generated from operations	37(a)	5,205,825	3,803,350
Tax paid		(1,260,778)	(2,329,248)
Interest paid		(525,213)	(415,244)
Net cash generated from operating activities		3,419,834	1,058,858
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,541)	(3,864)
Purchases of investment property		(292,158)	—
Increase in investments in joint ventures and advances to joint ventures		(4,942,754)	(712,058)
Repayments from joint ventures		547,677	2,102,353
Increase in investment in an associated company and advances to associated companies		(1,928,432)	(198,048)
Repayments from associated companies		204,362	97,740
Increase in financial assets at fair value through profit or loss		(796,489)	(228,258)
Net settlement gain on derivative financial instruments		1,395	3,750
(Increase)/decrease in bank deposits		(1,375)	279,926
Proceeds from disposal of property, plant and equipment		321	44
Interest received		107,000	63,369
Dividends received from associated companies		362,000	214,751
Dividend received from a joint venture		297,500	—
Dividend income from financial assets at fair value through other comprehensive income		147,860	147,860
Net cash (used in)/from investing activities		(6,297,634)	1,767,565
Cash flows from financing activities			
Issue of new shares		1,482	13,484
Proceeds from borrowings	37(b)	8,753,896	17,230,757
Repayments of borrowings	37(b)	(7,053,702)	(16,994,878)
Principal elements of lease liabilities		(3,628)	—
Repayment of capital to non-controlling interests		(144,800)	(673,874)
Dividends paid to non-controlling interests		(40,370)	(54,613)
Dividends paid to shareholders		(625,035)	(302,343)
Net cash from/(used in) financing activities		887,843	(781,467)
Net (decrease)/increase in cash and cash equivalents		(1,989,957)	2,044,956
Cash and cash equivalents at beginning of year		7,426,074	5,489,914
Changes in exchange rates		(55,508)	(108,796)
Cash and cash equivalents at end of year		5,380,609	7,426,074

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Other reserves	Retained earnings	Shareholders' funds	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	312,485	8,991,277	26,336,731	35,640,493	1,361,232	37,001,725
Comprehensive income						
Profit for the year	—	—	3,149,738	3,149,738	86,376	3,236,114
Other comprehensive income						
Other comprehensive income/(loss) for the year	—	712,031	—	712,031	(30,539)	681,492
Transactions with equity holders						
Fair value of share options	—	7,328	—	7,328	—	7,328
Issue of shares upon exercise of share options	32	1,450	—	1,482	—	1,482
Lapse of share options	—	(17,740)	17,740	—	—	—
Repayment of capital to non-controlling interests	—	—	—	—	(144,800)	(144,800)
Dividends	—	—	(625,035)	(625,035)	(40,370)	(665,405)
At 31 December 2019	312,517	9,694,346	28,879,174	38,886,037	1,231,899	40,117,936
At 1 January 2018	305,546	12,106,601	22,590,501	35,002,648	2,014,039	37,016,687
Comprehensive income						
Profit for the year	—	—	4,046,390	4,046,390	130,314	4,176,704
Other comprehensive loss						
Other comprehensive loss for the year	—	(3,135,337)	—	(3,135,337)	(54,634)	(3,189,971)
Transactions with equity holders						
Fair value of share options	—	15,651	—	15,651	—	15,651
Issue of shares upon exercise of share options	527	12,957	—	13,484	—	13,484
Lapse of share options	—	(2,183)	2,183	—	—	—
Shares issued as scrip dividends	6,412	(6,412)	—	—	—	—
Reserve arising on scrip dividends	—	—	282,544	282,544	—	282,544
Repayment of capital to non-controlling interests	—	—	—	—	(673,874)	(673,874)
Dividends	—	—	(584,887)	(584,887)	(54,613)	(639,500)
At 31 December 2018	312,485	8,991,277	26,336,731	35,640,493	1,361,232	37,001,725

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 changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, with effect from 15 July 2019, 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 and Mainland China.

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 24 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of investment properties, certain financial assets (including financial assets at fair value through other comprehensive income, 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 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 2018, except as stated below.

The adoption of new standards and amendments and interpretation to standards

In 2019, the Group adopted the following new standards and amendments and interpretation to standards, which are relevant to its operations.

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

The impact of the adoption of HKFRS 16 is disclosed in Note (i) below. The other amendments and interpretation to standards did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

2 BASIS OF PREPARATION (cont'd)

New standard and amendments to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting	1 January 2020
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 17	Insurance Contracts	1 January 2021

The Group will adopt the above new standard and amendments to standards as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of these new standard and amendments to standards will have no material impact on the results and the financial position of the Group. The Group will continue to assess the impact in more details.

(i) Changes in accounting policies

The changes in accounting policies upon the adoption of HKFRS 16 'Leases' are set out below:

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated the comparatives for the prior years as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019 and summarised as follows:

	As at 1 January 2019		
	As previously stated	Effects of the adoption	As restated
Consolidated balance sheet (extract)	HK\$'000	HK\$'000	HK\$'000
Right-of-use assets	—	30,617	30,617
Leasehold land and land use rights	17,149	(17,149)	—
Lease liabilities	—	10,473	10,473
Creditors, accruals and other liabilities	1,669,632	2,995	1,672,627

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 BASIS OF PREPARATION (cont'd)

(i) *Changes in accounting policies (cont'd)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

Lease payments include fixed payments less any lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated 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.

As a result, the total obligations under the operating lease commitments of HK\$21,688,000 disclosed at 31 December 2018, adjusted by the effect of discounting and exclusion of short-term leases and low-value asset leases, amounted to lease liabilities of HK\$13,468,000, were recognised on 1 January 2019. The amount was split into current and non-current portion of HK\$2,995,000 and HK\$10,473,000 respectively.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities on a present value basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. Together with the reclassification of leasehold land and land use rights, right-of-use assets of HK\$30,617,000 were recognised in the consolidated balance sheet as of 1 January 2019. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as lease expenses in the consolidated profit and loss statement.

Cash payments for the settlement of lease liabilities are reclassified from operating activities to financing activities according to HKFRS 16 in the consolidated cash flow statement.

In applying HKFRS 16 for the first time, the Group has accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases as permitted under the practical expedients in the standard.

There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

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.

(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 HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

(i) Business combinations (cont'd)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(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.

3.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Buildings (including hotel buildings) 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 buildings	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 also includes property under construction or development for intended use as investment property upon completion.

Before 1 January 2019, all land held under operating leases was classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Therefore the operating leases were accounted for as if they were a finance lease.

After 1 January 2019, all leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), and any initial direct costs incurred by the Group.

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.

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 under development with the view changed to owner-occupation, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

3.7 Financial assets

(i) *Classification*

The Group classifies its financial assets in the categories of those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortised costs. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

(iii) Measurement (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other net gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit and loss statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other net gains/losses. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other net gains/losses and impairment expenses are presented as separate line item in the profit and loss statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other net gains/losses in the period in which it arises.

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other net gains/losses in the profit and loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.8 Offsetting financial instruments

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.

3.9 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 at the end of each reporting period. 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.

3.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 Trade debtors

Trade debtors are recognised initially at the amount of consideration that is unconditional and subsequently measured at amortised cost using the effective interest method, less provision for impairment, as the Group holds the trade debtors with the objective to collect the contractual cash flows and those cash flows represent solely payments of principal and interest. The Group's impairment policies are set out in note 3.7(iv). The carrying amount of trade 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 trade debtors. Subsequent recoveries of amounts previously written off are credited against other operating income in the profit and loss statement.

If the collection of trade 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 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

As explained in note 2(i) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2(i).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were 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 had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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 was allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, were included in other long-term payables. The interest element of the finance cost was 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 was depreciated over the shorter of the useful life of the asset and the lease term.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Leases (cont'd)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit and loss statement. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term (note 3.23). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Employee benefits (cont'd)

(b) Share-based compensation (cont'd)

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.

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.

Revenue is recognised when 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

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred 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 in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

For property development and sales contract for which the control of the property is transferred over-time, the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition (cont'd)

(a) Sales of properties (cont'd)

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Contract acquisition costs incurred to obtain contracts are capitalised and amortised when the related revenue are recognised.

(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 from financial assets at FVPL is included in the net fair value gains/losses on these assets. Interest income on financial assets at amortised cost is recognised in the profit and loss statement as other operating income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(e) Dividend income

Dividend is received from financial assets measured at FVOCI and is recognised as other operating income in profit or loss when the right to receive payment is established.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Foreign currencies (cont'd)

(b) Transactions and balances (cont'd)

Foreign exchange gains and losses are presented in the profit and loss statement as 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 FVPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets held at FVOCI are included in the fair value through other comprehensive income 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.25 Financial guarantees

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (1) the amount determined in accordance with the expected credit loss model under HKFRS 9; and (2) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associated companies or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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 and Mainland China 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.

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

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.1 Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

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 2019 if Hong Kong dollar had strengthened or weakened by 3% (2018: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been lower or higher by approximately HK\$17 million (2018: higher or lower by HK\$9 million) mainly as a result of foreign exchange losses/gains arising from cash at banks.

(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 2019, if interest rates had been increased or decreased by 1% (2018: 1%) with all other variables held constant, the profit before taxation for the year (before capitalisation) would decrease or increase by approximately HK\$99 million (2018: HK\$73 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 financial assets at fair value through other comprehensive income which are publicly traded and financial assets at fair value through profit or loss.

At 31 December 2019, if the share price of the financial assets at fair value through other comprehensive income had been increased or decreased by 10% (2018: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$933 million (2018: HK\$809 million).

At 31 December 2019, if the trade price of the financial assets at fair value through profit or loss had been increased or decreased by 10% (2018: 10%) with all other variables held constant, the profit before taxation for the year would increase or decrease by approximately HK\$131 million (2018: HK\$50 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 loans receivable on a regular basis and an allowance for doubtful debts is made where there is an expected credit loss.

To measure the expected credit losses, debtors and loans receivable are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balances.

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.

The credit risk on liquid funds is limited because around 90% (2018: 92%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 10% (2018: 8%) 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 and rolling basis and, if necessary, obtains financing to meet the funding requirement.

The Group also maintains a level of liquid assets that ensures 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 2019, the Group's total undrawn facilities amounted to approximately HK\$16 billion (2018: HK\$13.8 billion).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.3 Liquidity risk (cont'd)

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.

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, including 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 2019					
Borrowings	4,964,608	5,452,295	10,297,261	241,253	20,955,417
Guaranteed notes	44,730	1,023,102	—	—	1,067,832
Lease liabilities	3,201	3,357	3,676	—	10,234
Trade creditors	886,047	—	—	—	886,047
Other creditors and accruals	297,696	—	—	—	297,696
Amounts due to joint ventures	1,260,655	—	—	—	1,260,655
Amounts due to associated companies	80,099	—	—	—	80,099
Amounts due to non-controlling interests	19,417	—	—	—	19,417
Total	7,556,453	6,478,754	10,300,937	241,253	24,577,397
At 31 December 2018					
Borrowings	1,665,025	3,801,971	13,730,369	212,676	19,410,041
Guaranteed notes	44,730	44,730	1,023,102	—	1,112,562
Trade creditors	1,264,651	—	—	—	1,264,651
Other creditors and accruals	209,737	—	—	—	209,737
Amounts due to joint ventures	1,243,750	—	—	—	1,243,750
Amounts due to associated companies	372,909	—	—	—	372,909
Total	4,800,802	3,846,701	14,753,471	212,676	23,613,650

Note:

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

Interest on borrowings and guaranteed notes are calculated on balances held as at 31 December 2019 and 2018. Floating-rate interest is estimated using the current interest rate as at 31 December 2019 and 2018 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 its finance team which reviews, inter alia, the planned construction projects proposed by its project team and takes into account the timing of funding so required. 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, if applicable, 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:

	2019 HK\$'000	2018 HK\$'000
Total borrowings	20,440,961	18,710,746
Less: Cash and bank deposits	(5,443,079)	(7,488,536)
Net borrowings	14,997,882	11,222,210
Total equity	40,117,936	37,001,725
Gearing ratio	37%	30%

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 financial assets at fair value through other comprehensive income (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 26) and derivative financial instruments (note 33).

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 assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting year. 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

Revenue from pre-sales of properties is recognised over time when the properties have no alternative use to the Group contractually and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time. Whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and practices and obtained legal advice, where necessary.

6 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong and Mainland China. 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/losses, 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 and last year's comparative amounts were restated.

Segment assets represent total assets excluding joint ventures, associated companies and other assets. Other assets mainly include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

6 SEGMENT INFORMATION (cont'd)

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2019					
Revenue from contracts with customers:					
— Recognised at a point in time	3,372,311	6,585,084	—	—	9,957,395
— Recognised over time	—	—	—	112,425	112,425
Revenue from other sources:					
— Rental income	—	—	582,111	—	582,111
Revenue	3,372,311	6,585,084	582,111	112,425	10,651,931
Adjusted EBITDA	1,745,546	3,165,491	431,179	(216,136)	5,126,080
Other income and expenses/gains, net					(86,251)
Depreciation and amortisation					(29,841)
Fair value gain on transfer of development properties to investment properties			3,188		3,188
Change in fair value of investment properties			35,147		35,147
Finance costs					(10,958)
Share of profits of joint ventures	87,936	143,776			231,712
Share of profits/(losses) of associated companies	46,341	(16,018)			30,323
Profit before taxation					5,299,400
Taxation charge					(2,063,286)
Profit for the year					3,236,114
As at 31 December 2019					
Segment assets	16,143,109	19,441,706	15,646,003	—	51,230,818
Other assets	—	—	—	10,347,468	10,347,468
Joint ventures	9,618,310	1,154,730	—	—	10,773,040
Associated companies	2,201,251	6,463	—	—	2,207,714
Total assets	27,962,670	20,602,899	15,646,003	10,347,468	74,559,040
Total liabilities	18,001,093	13,219,257	3,168,488	52,266	34,441,104

6 SEGMENT INFORMATION (cont'd)

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2018					
Revenue from contracts with customers:					
— Recognised at a point in time	7,115,001	2,994,180	—	—	10,109,181
— Recognised over time	—	—	—	111,603	111,603
Revenue from other sources:					
— Rental income	—	—	539,008	—	539,008
Revenue	7,115,001	2,994,180	539,008	111,603	10,759,792
Adjusted EBITDA	3,202,044	950,404	432,536	(216,223)	4,368,761
Other income and expenses/losses, net					(292,389)
Depreciation and amortisation					(28,797)
Fair value gain on transfer of development properties to investment properties			1,105,792		1,105,792
Change in fair value of investment properties			310,846		310,846
Finance costs					(12,465)
Share of profits/(losses) of joint ventures	32,164	(17,184)			14,980
Share of profits/(losses) of associated companies	73,695	(1,919)			71,776
Profit before taxation					5,538,504
Taxation charge					(1,361,800)
Profit for the year					4,176,704
As at 31 December 2018					
Segment assets	18,848,005	19,965,683	14,489,103	—	53,302,791
Other assets	—	—	—	9,043,454	9,043,454
Joint ventures	5,319,488	1,117,400	—	—	6,436,888
Associated companies	979,719	130,996	—	—	1,110,715
Total assets	25,147,212	21,214,079	14,489,103	9,043,454	69,893,848
Total liabilities	16,519,036	13,672,551	2,634,444	66,092	32,892,123
Year ended 31 December 2019					
Additions to non-current assets	—	16,002	292,278	1,887	310,167
Year ended 31 December 2018					
Additions to non-current assets	—	2,931	18	915	3,864

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in two (2018: two) main geographical areas: Hong Kong and Mainland China. The revenue for the years ended 31 December 2019 and 2018 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2019 and 2018 by geographical area are as follows:

	2019 HK\$'000	2018 HK\$'000
Revenue		
Hong Kong	3,442,503	7,188,205
Mainland China	7,209,428	3,571,587
	10,651,931	10,759,792
	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Hong Kong	2,916,034	3,003,484
Mainland China	12,624,526	11,636,826
Other	195	153
	15,540,755	14,640,463

7 REVENUE

	2019 HK\$'000	2018 HK\$'000
Sale of properties	9,957,395	10,109,181
Rental income	582,111	539,008
Hotel operations	112,425	111,603
	10,651,931	10,759,792

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

	2019 HK\$'000	2018 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	563,117	491,337
Lease liabilities	652	—
	563,769	491,337
Capitalised as cost of properties under development	(552,811)	(478,872)
	10,958	12,465

The capitalisation rates used to determine the amounts of borrowing costs eligible for the development of properties are from 2% to 5% per annum (2018: 2% to 5% per annum).

10 PROFIT BEFORE TAXATION

	2019 HK\$'000	2018 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	104,868	66,705
Interest income from joint ventures and associated companies	3,410	917
Interest income from mortgage loans and others	19,861	15,014
Dividend income from financial assets at fair value through other comprehensive income	147,860	147,860
Net gain on settlement of derivative financial instruments	1,395	4,365
Net fair value gains on derivative financial instruments	4,334	—
Net fair value gains on financial assets at fair value through profit or loss	28,723	13,507
and after charging:		
Cost of properties sold	4,909,746	5,800,661
Cost of inventories consumed/sold	19,677	20,730
Selling and marketing expenses	387,512	460,145
Depreciation for property, plant and equipment (net of amount capitalised under properties under development of HK\$394,000 (2018: HK\$387,000))	25,985	28,674
Depreciation for right-of-use assets	3,856	—
Amortisation for leasehold land and land use rights	—	123
Auditors' remuneration to the auditor of the Company		
Audit services	4,930	4,750
Non-audit services	694	730
Loss on disposal of property, plant and equipment	340	171
Lease expenses	5,809	—
Operating lease rental for land and buildings	—	7,924
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	51,837	43,366
Direct operating expense of investment properties that did not generate rental income	6,922	10,154
Net exchange losses	15,839	87,888

11 EMPLOYEE BENEFIT EXPENSES

	2019	2018
	HK\$'000	HK\$'000
Staff costs including directors' emoluments	434,363	415,920
Pension costs — defined contribution plans	27,424	25,987
Share options granted to directors and employees	7,328	15,651
	469,115	457,558
Capitalised as cost of properties under development	(76,252)	(86,267)
	392,863	371,291

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 employees, 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 employees.

Employees in Mainland China participate in various social security funds 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 16% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of other post-retirement benefits of employees other than the above payments.

During the year, contributions forfeited of HK\$786,000 (2018: HK\$766,000) were utilised, leaving HK\$67,000 (2018: HK\$137,000) available at the balance sheet date to reduce future contributions.

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name	(note i)		(note ii)				Total HK\$'000
	Directors' fee HK\$'000	Estimated money value of other benefits (note iii) HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Estimated money value of other benefits (note iii) HK\$'000	
2019							
Lui Che-woo	342	—	13,599	3,814	1,418	1,140	20,313
Francis Lui Yiu Tung	200	—	1,680	471	168	494	3,013
Paddy Tang Lui Wai Yu	200	—	7,423	2,333	742	1,140	11,838
Alexander Lui Yiu Wah	200	—	10,092	3,171	1,009	1,140	15,612
Robin Chan Yau Hing (iv)	200	61	—	—	—	—	261
William Yip Shue Lam	456	61	—	—	—	—	517
Moses Cheng Mo Chi	325	61	—	—	—	—	386
Au Man Chu	325	61	—	—	—	—	386
Wong Kwai Lam	300	61	—	—	—	—	361
Nip Yun Wing (v)	—	—	—	—	—	—	—
	2,548	305	32,794	9,789	3,337	3,914	52,687
2018							
Lui Che-woo	330	—	13,076	4,167	1,366	2,460	21,399
Francis Lui Yiu Tung	190	—	1,615	453	162	1,086	3,506
Paddy Tang Lui Wai Yu	190	—	7,138	2,243	714	2,460	12,745
Alexander Lui Yiu Wah	190	—	9,704	3,049	970	2,460	16,373
Robin Chan Yau Hing	190	134	—	—	—	—	324
William Yip Shue Lam	440	134	—	—	—	—	574
Moses Cheng Mo Chi	310	134	—	—	—	—	444
Au Man Chu	310	134	—	—	—	—	444
Wong Kwai Lam	290	134	—	—	—	—	424
	2,440	670	31,533	9,912	3,212	8,466	56,233

- (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 2019 were in relation to performance and services for 2018.
- (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) Dr. Robin Chan Yau Hing retired as an independent non-executive Director of the Company on 5 June 2019.
- (v) Mr. Nip Yun Wing was appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 12 July 2019 and 1 March 2020 respectively.

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

12 BENEFITS AND INTERESTS OF DIRECTORS (cont'd)

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

Pursuant to the master lease agreement dated 23 August 2017, made between the Company and Polymate Co., Ltd. ("Polymate"), an aggregated annual rent of HK\$14,288,000 for the year ended 31 December 2019 (2018: HK\$14,760,000) was paid to Polymate, which is a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of 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.

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 (2018: nil).

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2018: three) Directors. The emoluments of the five individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	38,036	35,928
Pension cost — defined contribution plans	3,623	3,445
Discretionary bonuses	14,651	15,198
Share options granted	3,762	8,062
	60,072	62,633

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2019	2018
HK\$5,000,001–HK\$5,500,000	1	—
HK\$5,500,001–HK\$6,000,000	—	1
HK\$6,000,001–HK\$6,500,000	—	1
HK\$7,000,001–HK\$7,500,000	1	—
HK\$11,500,001–HK\$12,000,000	1	—
HK\$12,500,001–HK\$13,000,000	—	1
HK\$15,500,001–HK\$16,000,000	1	—
HK\$16,000,001–HK\$16,500,000	—	1
HK\$20,000,001–HK\$20,500,000	1	—
HK\$21,000,001–HK\$21,500,000	—	1
	5	5

14 TAXATION CHARGE

	2019 HK\$'000	2018 HK\$'000
Current		
Hong Kong profits tax	264,881	429,335
Mainland China		
— Income tax	613,316	245,599
— Land appreciation tax	1,074,364	266,549
Over-provision in previous years	(826)	(203)
Deferred (note 34)	111,551	420,520
	2,063,286	1,361,800

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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, and 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:

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	5,299,400	5,538,504
Share of profits of joint ventures	(231,712)	(14,980)
Share of profits of associated companies	(30,323)	(71,776)
	5,037,365	5,451,748
Tax calculated at applicable tax rates	1,152,938	1,135,920
Income not subject to taxation	(47,121)	(43,520)
Expenses not deductible for taxation purposes	69,615	61,928
Recognition and utilisation of previously unrecognised tax losses	(20,238)	(27,069)
Tax loss not recognised	39,842	15,248
Land appreciation tax deductible for calculation of income tax	(268,591)	(66,637)
Over-provision in previous years	(826)	(203)
	925,619	1,075,667
Withholding tax	63,303	19,584
Land appreciation tax	1,074,364	266,549
Taxation charge	2,063,286	1,361,800

15 EARNINGS PER SHARE

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

	2019	2018
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	3,149,738	4,046,390
	Number of shares	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	3,125,041,000	3,124,438,000
Effect of dilutive potential ordinary shares — Share options	3,758,000	4,100,000
Weighted average number of shares for calculating diluted earnings per share	3,128,799,000	3,128,538,000

16 DIVIDENDS

	2019	2018
	HK\$'000	HK\$'000
Interim cash dividend of 6 HK cents (2018: Interim scrip dividend (with a cash option) of 6 HK cents) per share	187,511	187,034
Proposed final cash dividend of 14 HK cents (2018: 14 HK cents) per share	437,524	437,524
	625,035	624,558
The dividends have been settled by cash as follows:		
Interim	187,511	159,434
Final	—	437,524
	187,511	596,958

The Board of Directors recommended the payment of a final cash dividend in respect of 2019 of 14 HK cents (2018: 14 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2020.

17 PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK\$'000	Land and buildings HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost					
At 1 January 2018	416,801	176,670	30,396	137,608	761,475
Exchange differences	(19,170)	(2,894)	(1,402)	(3,692)	(27,158)
Additions	—	—	107	3,757	3,864
Transfer from development properties	78,770	—	—	—	78,770
Disposals	—	—	—	(1,151)	(1,151)
At 31 December 2018	476,401	173,776	29,101	136,522	815,800
Exchange differences	(10,424)	(1,314)	(636)	(1,700)	(14,074)
Additions	—	—	—	4,541	4,541
Transfer to development properties	(77,047)	—	—	—	(77,047)
Disposals	—	—	—	(3,179)	(3,179)
At 31 December 2019	388,930	172,462	28,465	136,184	726,041
Accumulated depreciation					
At 1 January 2018	126,801	47,317	26,077	113,367	313,562
Exchange differences	(6,441)	(661)	(1,213)	(2,868)	(11,183)
Charge for the year	18,121	3,112	381	7,447	29,061
Disposals	—	—	—	(936)	(936)
At 31 December 2018	138,481	49,768	25,245	117,010	330,504
Exchange differences	(3,338)	(338)	(558)	(1,371)	(5,605)
Charge for the year	17,449	3,049	375	5,506	26,379
Disposals	—	—	—	(2,518)	(2,518)
At 31 December 2019	152,592	52,479	25,062	118,627	348,760
Net book value					
At 31 December 2019	236,338	119,983	3,403	17,557	377,281
At 31 December 2018	337,920	124,008	3,856	19,512	485,296

Land and buildings with carrying values of HK\$43,304,000 (2018: HK\$45,888,000) 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

	Completed		Under development	Total
	Hong Kong	Mainland China	Mainland China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	2,857,000	9,742,451	—	12,599,451
Exchange differences	—	(495,679)	—	(495,679)
Transfer from development properties	43,402	574,206	—	617,608
Fair value gain on transfer of development properties to investment properties	63,598	1,042,194	—	1,105,792
Change in fair value	(41,800)	352,646	—	310,846
At 31 December 2018	2,922,200	11,215,818	—	14,138,018
Exchange differences	—	(247,495)	(6)	(247,501)
Additions	—	—	292,158	292,158
Transfer from development properties	—	919,978	—	919,978
Fair value gain on transfer of development properties to investment properties	—	3,188	—	3,188
Change in fair value	(85,700)	120,523	324	35,147
At 31 December 2019	2,836,500	12,012,012	292,476	15,140,988

- (a) Investment properties were valued at 31 December 2019 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\$7,309,065,000 (2018: HK\$6,642,319,000) were pledged to secure the banking facilities of the Group.
- (c) The investment properties are leased to tenants under operating leases with rentals payable monthly.

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by independent professional 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 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)

(e) Valuation technique

Fair value measurements using significant unobservable inputs

Fair value of completed properties is 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.

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
2019				
Rental value (HK\$/sqm/month)	434 to 580	263 to 308	271 to 835	28 to 723
Capitalisation rate (%)	1.85 to 2.00	3.50 to 5.00	3.13 to 6.00	4.50 to 8.00
2018				
Rental value (HK\$/sqm/month)	454 to 600	240 to 356	260 to 868	30 to 726
Capitalisation rate (%)	1.85 to 2.00	3.75 to 5.00	3.13 to 6.00	4.50 to 9.25

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.

Fair value of properties under development is derived using the direct comparison method. Direct comparison method is based on sales prices of comparable properties in close proximity and adjusted for differences in key attributes such as property location and quality.

Information about the significant unobservable inputs used for the fair value measurements of commercial properties under development valued under the direct comparison method is as follows:

	Commercial Properties Mainland China
2019	
Unit market prices of comparables (HK\$/sqm)	14,309 to 21,038

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.

19(a) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Right-of-use assets		
Leasehold land and land use rights	12,617	17,149
Office premises	9,869	13,468
	22,486	30,617
Lease liabilities		
Current	3,201	2,995
Non-current	7,033	10,473
	10,234	13,468

For the year ended 31 December 2019, the depreciation of right-of-use assets for leasehold land and land use rights and office premises are HK\$508,000 (2018: nil) and HK\$3,348,000 (2018: nil) respectively.

The Group leases various land and office premises. Rental contracts are typically made for fixed periods within 1 to 50 years. Lease terms are negotiated on an individual basis.

Right-of-use assets with carrying values of HK\$3,134,000 (2018: nil) were pledged to secure the banking facilities of the Group.

19(b) LEASEHOLD LAND AND LAND USE RIGHTS

	2019 HK\$'000	2018 HK\$'000
At beginning of year	17,149	14,684
Reclassification to right-of-use assets (note 19(a))	(17,149)	—
	—	14,684
Exchange differences	—	(1,151)
Addition/transfer	—	3,739
Amortisation for the year	—	(123)
At end of year	—	17,149

As at 31 December 2018, leasehold land and land use rights with carrying values of HK\$3,323,000 were pledged to secure the banking facilities of the Group.

20 JOINT VENTURES

	2019	2018
	HK\$'000	HK\$'000
Share of net assets	1,794,792	1,703,857
Amounts due from joint ventures	8,820,431	4,733,031
	10,615,223	6,436,888

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:

	2019	2018
	HK\$'000	HK\$'000
Assets	18,945,167	10,734,800
Liabilities	(17,150,375)	(9,030,943)
Net assets	1,794,792	1,703,857
Revenue	985,123	52,535
Profit after taxation	231,712	14,980
Other comprehensive loss	(8,523)	(12,963)
Total comprehensive income	223,189	2,017
Dividend received from a joint venture	297,500	—

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\$2,571,145,000 (2018: HK\$2,363,625,000) 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.

Details of principal 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 2019 and 31 December 2018.

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

21 ASSOCIATED COMPANIES

	2019	2018
	HK\$'000	HK\$'000
Share of net assets	549,326	865,799
Amounts due from associated companies	1,642,681	239,751
	2,192,007	1,105,550

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:

	2019	2018
	HK\$'000	HK\$'000
Assets	2,522,222	1,219,974
Liabilities	(1,972,896)	(354,175)
Net assets	549,326	865,799
Revenue	77,382	105,410
Profit after taxation	30,323	71,776
Other comprehensive income	323	65
Total comprehensive income	30,646	71,841
Dividends received from associated companies	362,000	214,751

Amounts due from associated companies 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\$32,951,000 (2018: nil) which carries interest at prevailing market rate). 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 principal 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 2019 and 31 December 2018.

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$'000	2018 HK\$'000
Listed equity securities, at fair value	9,326,584	8,091,706

The listed securities represent the Group's 3.75% (2018: 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

The amount represents mortgage loans receivables. 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 mortgage loans amounting to HK\$16,977,000 (2018: HK\$20,430,000) is included under other debtors. Mortgage loans receivables include first mortgage loans of HK\$57,789,000 (2018: HK\$69,629,000). The Group has not provided any impairment loss for its mortgage loans during the year (2018: nil).

24 DEVELOPMENT PROPERTIES

	Completed HK\$'000	Under development HK\$'000	2019 HK\$'000	Completed HK\$'000	Under development HK\$'000	2018 HK\$'000
Leasehold land and land use rights	1,837,575	18,254,405	20,091,980	4,221,625	17,399,099	21,620,724
Development costs	2,749,125	5,428,337	8,177,462	5,459,643	2,872,533	8,332,176
	4,586,700	23,682,742	28,269,442	9,681,268	20,271,632	29,952,900

Development properties with carrying values of HK\$11,148,769,000 (2018: HK\$9,270,354,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2019, development properties under development amounting to HK\$17,519,765,000 (2018: HK\$15,389,313,000) were not scheduled for completion within 12 months.

25 DEBTORS AND PREPAYMENTS

	2019 HK\$'000	2018 HK\$'000
Trade debtors	4,046	5,324
Other debtors	208,739	258,529
Amounts due from non-controlling interests	—	11,984
Tender deposits	50,000	25,000
Prepayments and other deposits	47,281	49,041
Sales commissions	157,553	91,109
Sales taxes	157,826	146,083
	625,445	587,070

25 DEBTORS AND PREPAYMENTS (cont'd)

The debtors and prepayments are denominated in the following currencies:

	2019	2018
	HK\$'000	HK\$'000
Hong Kong dollar	274,175	219,693
RMB	350,761	366,941
Others	509	436
	625,445	587,070

Trade debtors mainly comprise rental receivable. 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:

	2019	2018
	HK\$'000	HK\$'000
Within one month	3,105	4,525
Two to three months	439	180
Four to six months	168	75
Over six months	334	544
	4,046	5,324

The Group measures expected credit losses which use a lifetime expected loss allowance for all trade debtors. Trade debtors are grouped based on shared credit risk characteristics and the days past due as follows:

	2019	2018
	HK\$'000	HK\$'000
Current	3,105	4,525
Within three months past due	439	180
Over three months past due	502	619
	4,046	5,324

No provision for impairment for trade debtors was made as at 31 December 2019 (2018: nil).

As at 31 December 2019, other debtors included a loan receivable of HK\$82,563,000 (2018: HK\$84,410,000) 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. As at 31 December 2019, no other debtors was impaired (2018: nil).

Sales commissions represent contract acquisition costs incurred to obtain property sale contracts. The Group has capitalised the amounts and amortised when the related revenue is recognised. For the year ended 31 December 2019, the prepaid amount recognised to profit or loss was HK\$29,325,000 (2018: HK\$169,300,000) and there was no impairment loss in relation to the costs capitalised.

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 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

27 CASH AND BANK DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Cash at bank and in hand	1,671,583	2,591,073
Short-term and other bank deposits	3,709,026	4,835,001
Cash and cash equivalents	5,380,609	7,426,074
Short-term bank deposits maturing after three months	62,470	62,462
Cash and bank deposits	5,443,079	7,488,536

The cash and bank deposits include HK\$1,112,572,000 (2018: HK\$3,093,787,000) which have been pledged or assigned for specific purposes under certain conditions.

The effective interest rate on bank deposits is 3.07% (2018: 2.19%) per annum and these deposits have an average of 41 days (2018: 37 days).

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

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	2,133,060	5,138,336
RMB	3,301,114	2,339,595
Others	8,905	10,605
	5,443,079	7,488,536

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

	2019 HK\$'000	2018 HK\$'000
Credit rating:		
Aa	2,636,498	3,271,010
A	2,240,042	3,640,121
Baa	138,054	219,221
Others	428,485	358,184
	5,443,079	7,488,536

28 SHARE CAPITAL

	2019		2018	
	Shares of HK\$0.10 each Number of shares	HK\$'000	Shares of HK\$0.10 each 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	3,124,854,615	312,485	3,055,461,052	305,546
Share options exercised	320,000	32	5,268,000	527
Issued as scrip dividends	—	—	64,125,563	6,412
At end of year	3,125,174,615	312,517	3,124,854,615	312,485

During the year, share options to subscribe for 320,000 (2018: 5,268,000) shares were exercised, of which HK\$32,000 (2018: HK\$527,000) and HK\$1,776,000 (2018: HK\$16,855,000) were credited to share capital and share premium respectively and HK\$326,000 (2018: HK\$3,898,000) was debited to share option reserve.

29 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to employees, senior executives or Directors or consultants 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 and subject to a one year vesting period. Consideration to be paid on each grant of option is HK\$1.00. 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:

	2019		2018	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	4.3333	74,966,000	4.1367	62,956,000
Granted	n/a	—	4.5200	19,826,000
Exercised	4.6300	(320,000)	2.5595	(5,268,000)
Lapsed	4.6079	(13,600,000)	4.5950	(2,548,000)
At end of year	4.2706	61,046,000	4.3333	74,966,000
Vested at end of year	4.2706	61,046,000	4.2662	55,140,000

29 SHARE OPTION SCHEME (cont'd)

The weighted average share price at the date of exercise for share options exercised during the year was HK\$4.62 (2018: HK\$4.497) per share.

The options outstanding at 31 December 2019 have exercise prices ranging from HK\$2.796 to HK\$4.76 (2018: HK\$2.796 to HK\$4.76) per share with weighted average remaining contractual life of 3.0 years (2018: 3.4 years).

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

Exercise period	Exercise price HK\$	Number of share options	
		2019	2018
Directors			
21 January 2014 to 20 January 2019	4.610	—	9,990,000
30 September 2015 to 29 September 2020	4.500	10,040,000	10,200,000
21 January 2017 to 20 January 2022	2.796	10,020,000	10,020,000
17 July 2018 to 16 July 2023	4.760	10,640,000	10,800,000
18 July 2019 to 17 July 2024	4.520	10,940,000	11,100,000
Employees and others			
21 January 2014 to 20 January 2019	4.610	—	2,420,000
30 September 2015 to 29 September 2020	4.500	3,300,000	3,600,000
21 January 2017 to 20 January 2022	2.796	1,070,000	1,070,000
17 July 2018 to 16 July 2023	4.760	6,690,000	7,040,000
18 July 2019 to 17 July 2024	4.520	8,346,000	8,726,000
		61,046,000	74,966,000

The fair value of options granted last year, as determined by using the Black-Scholes valuation model, was HK\$0.76 per option. The significant inputs into the model were share price of HK\$4.52 at the grant date, exercise price at the date of granting the options, expected volatility of 30%, expected life of options of 3.5 years, dividend yield of 4.1% and annual risk-free interest rate of 1.974%. The volatility was 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.

Notes to the Consolidated Financial Statements

30 RESERVES

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption/ Capital reserve HK\$'000	Revaluation reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	1,774,935	61,563	99,089	872	672	7,919,473	(865,327)	26,336,731	35,328,008
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	3,149,738	3,149,738
Other comprehensive income									
Exchange differences arising from translation	—	—	—	—	(55)	—	(514,592)	—	(514,647)
Translation differences for joint ventures and an associated company	—	—	—	—	—	—	(8,200)	—	(8,200)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	1,234,878	—	—	1,234,878
Transactions with equity holders									
Fair value of share options	—	7,328	—	—	—	—	—	—	7,328
Exercise of share options	1,776	(326)	—	—	—	—	—	—	1,450
Lapse of share options	—	(17,740)	—	—	—	—	—	17,740	—
2018 final dividend	—	—	—	—	—	—	—	(437,524)	(437,524)
2019 interim dividend	—	—	—	—	—	—	—	(187,511)	(187,511)
At 31 December 2019	1,776,711	50,825	99,089	872	617	9,154,351	(1,388,119)	28,879,174	38,573,520
At 1 January 2018	1,764,492	51,993	99,089	872	704	10,015,517	173,934	22,590,501	34,697,102
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	4,046,390	4,046,390
Other comprehensive income									
Exchange differences arising from translation	—	—	—	—	(32)	—	(1,026,363)	—	(1,026,395)
Translation differences for joint ventures and an associated company	—	—	—	—	—	—	(12,898)	—	(12,898)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(2,096,044)	—	—	(2,096,044)
Transactions with equity holders									
Fair value of share options	—	15,651	—	—	—	—	—	—	15,651
Exercise of share options	16,855	(3,898)	—	—	—	—	—	—	12,957
Lapse of share options	—	(2,183)	—	—	—	—	—	2,183	—
Shares issued as scrip dividends	(6,412)	—	—	—	—	—	—	—	(6,412)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	282,544	282,544
2017 final dividend	—	—	—	—	—	—	—	(397,853)	(397,853)
2018 interim dividend	—	—	—	—	—	—	—	(187,034)	(187,034)
At 31 December 2018	1,774,935	61,563	99,089	872	672	7,919,473	(865,327)	26,336,731	35,328,008

31 BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Long-term bank loans		
Secured	3,406,223	3,221,139
Unsecured	14,033,530	13,804,700
	17,439,753	17,025,839
Unsecured short-term bank loans	2,000,000	684,780
	19,439,753	17,710,619
Current portion included in current liabilities	(4,269,151)	(1,100,803)
	15,170,602	16,609,816

The bank loans are repayable within the following periods:

	2019 HK\$'000	2018 HK\$'000
Within one year	4,269,151	1,100,803
Between one to two years	4,962,380	3,324,283
Between two to five years	9,975,638	13,086,549
After five years	232,584	198,984
	19,439,753	17,710,619

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 2.9% (2018: 2.5%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	18,370,974	16,135,110
RMB	1,068,779	1,575,509
	19,439,753	17,710,619

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

32 GUARANTEED NOTES

K. Wah International Financial Services Limited, a wholly-owned subsidiary of the Company, issued 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 2019 was HK\$1,019 million (2018: HK\$1,029 million).

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

33 DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	HK\$'000	HK\$'000
Non-current assets — Interest rate swaps	4,334	—

The notional principal amounts of the outstanding interest rate swaps as at 31 December 2019 were HK\$1,000 million (2018: nil).

34 DEFERRED TAXATION

	2019	2018
	HK\$'000	HK\$'000
Deferred taxation assets	119,465	97,646
Deferred taxation liabilities	(2,526,798)	(2,449,047)
	(2,407,333)	(2,351,401)

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	Fair value gains	Undistributed profits of subsidiaries	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	(206,354)	(1,510,261)	(320,819)	9,989	(2,027,445)
Exchange differences	10,033	75,742	12,818	(2,029)	96,564
Charged to profit and loss statement	(16,104)	(362,177)	(13,471)	(28,768)	(420,520)
At 31 December 2018	(212,425)	(1,796,696)	(321,472)	(20,808)	(2,351,401)
Exchange differences	4,834	45,126	6,844	(1,185)	55,619
(Charged)/credited to profit and loss statement	(15,408)	(41,311)	(57,366)	2,534	(111,551)
At 31 December 2019	(222,999)	(1,792,881)	(371,994)	(19,459)	(2,407,333)

34 DEFERRED TAXATION (cont'd)

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\$87,739,000 (2018: HK\$74,896,000) arising from unused tax losses of HK\$491,805,000 (2018: HK\$387,791,000) have not been recognised in the financial statements. Unused tax losses of HK\$414,380,000 (2018: HK\$259,434,000) have no expiry date and the remaining balances have various expiry dates up to and including 2024 (2018: up to and including 2023).

Deferred taxation liabilities of HK\$23,074,000 (2018: HK\$10,967,000) 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.

35. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2019 HK\$'000	2018 HK\$'000
Trade creditors	886,047	1,264,651
Other creditors	79,059	62,536
Amounts due to non-controlling interests	19,417	—
Accrued operating expenses	218,637	147,201
Rental and other deposits received	206,477	195,244
Lease liabilities — current portion (note 19(a))	3,201	—
	1,412,838	1,669,632

The creditors, accruals and other liabilities are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	428,293	436,716
RMB	984,273	1,232,469
Others	272	447
	1,412,838	1,669,632

The carrying amounts of the creditors, accruals and other liabilities approximate to their fair value.

35 CREDITORS, ACCRUALS AND OTHER LIABILITIES (cont'd)

The aging analysis of the trade creditors of the Group based on the date of the invoices is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within one month	880,468	1,239,733
Two to three months	2,414	2,336
Four to six months	224	380
Over six months	2,941	22,202
	886,047	1,264,651

36 PRE-SALES DEPOSITS

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

Pre-sales deposits of HK\$2,570,436,000 (2018: HK\$6,932,545,000) held as at beginning of the year were recognised as sales of properties for the year ended.

The following table shows the amount of unsatisfied performance obligations resulting from property sales for contracts with an original expected duration of one year or more:

	2019	2018
	HK\$'000	HK\$'000
Expected to be recognised within one year	8,474,000	4,868,000
Expected to be recognised after one year	1,345,000	6,272,000
	9,819,000	11,140,000

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	5,299,400	5,538,504
Share of profits of joint ventures	(231,712)	(14,980)
Share of profits of associated companies	(30,323)	(71,776)
Finance costs	10,958	12,465
Fair value gain on transfer of development properties to investment properties	(3,188)	(1,105,792)
Change in fair value of investment properties	(35,147)	(310,846)
Depreciation of property, plant and equipment	25,985	28,674
Depreciation for right-of-use assets	3,856	—
Amortisation of leasehold land and land use rights	—	123
Interest income	(108,278)	(67,622)
Loss on disposal of property, plant and equipment	340	171
Fair value of share options granted	7,328	15,651
Dividend income	(147,860)	(147,860)
Net settlement gain on derivative financial instruments	(1,395)	(4,365)
Net fair value gains on derivative financial instruments	(4,334)	—
Net fair value gains on financial assets at fair value through profit or loss	(28,723)	(13,507)
Unrealised exchange difference	—	68,846
Operating profit before working capital changes	4,756,907	3,927,686
Decrease/(increase) in development properties	1,031,899	(42,121)
(Increase)/decrease in debtors and prepayments	(48,432)	1,912,620
Decrease in inventories	568	1,764
(Increase)/decrease in other non-current assets	(9,960)	9,894
Decrease in pre-sales deposits	(299,996)	(1,513,861)
Decrease in creditors, accruals and other liabilities	(225,161)	(492,632)
Cash generated from operations	5,205,825	3,803,350

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	Total HK\$'000
	within 1 year HK\$'000	after 1 year HK\$'000	after 1 year HK\$'000	
At 1 January 2018	811,587	16,668,400	998,863	18,478,850
Exchange differences	(55,093)	(13,183)	—	(68,276)
Drawdowns	6,520,743	10,710,014	—	17,230,757
Repayments	(13,392,801)	(3,602,077)	—	(16,994,878)
Reclassifications	7,215,167	(7,215,167)	—	—
Other non-cash movements	1,200	61,829	1,264	64,293
At 31 December 2018	1,100,803	16,609,816	1,000,127	18,710,746
Exchange differences	4,515	(21,439)	—	(16,924)
Drawdowns	4,510,000	4,243,896	—	8,753,896
Repayments	(4,629,295)	(2,424,407)	—	(7,053,702)
Reclassifications	3,279,123	(3,279,123)	—	—
Other non-cash movements	4,005	41,859	1,081	46,945
At 31 December 2019	4,269,151	15,170,602	1,001,208	20,440,961

38 COMMITMENTS**(a) Contracted but not provided for**

	2019 HK\$'000	2018 HK\$'000
Commitments in respect of		
— property investment	8,615	—
— property development	3,802,355	2,467,465
— joint venture and associated company	616,251	514,345
	4,427,221	2,981,810

(b) Operating lease commitments

From 1 January 2019, the Group has recognised right-of-use assets for leases, except for short-term leases. As at 31 December 2018, the future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases was payable in the following periods:

	2019 HK\$'000	2018 HK\$'000
Within one year	—	8,738
Two to five years	—	12,166
After five years	—	784
	—	21,688

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:

	2019 HK\$'000	2018 HK\$'000
Within one year	508,434	492,136
In the second year	330,544	317,337
In the third year	229,871	210,837
In the fourth year	128,231	124,322
In the fifth year	63,670	61,654
After five years	136,632	153,028
	1,397,382	1,359,314

39 GUARANTEES

As at 31 December 2019, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2019		2018	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Joint ventures	7,483,030	5,867,361	3,609,134	2,879,579
Properties buyers	1,185,517	1,185,517	1,081,096	1,081,096
	8,668,547	7,052,878	4,690,230	3,960,675

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.

The Group monitors the net realisable values of the relevant properties which are subject to the fluctuation of the property market. As at 31 December 2019, no provision on the above guarantees was made (2018: nil).

As at 31 December 2019, the Company has executed guarantees in favour of banks, in respect of loan facilities granted to certain subsidiaries and joint ventures, amounting to HK\$32,364 million (2018: HK\$28,347 million) and HK\$7,453 million (2018: HK\$3,609 million) respectively. Of these, facilities totaling HK\$18,685 million (2018: HK\$16,953 million) and HK\$5,867 million (2018: HK\$2,880 million) respectively have been utilised.

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:

	2019	2018
	HK\$'000	HK\$'000
Fees	942	900
Salaries and other emoluments	32,794	31,533
Discretionary bonuses	9,789	9,912
Pension costs — defined contribution plans	3,337	3,212
Share option	3,914	8,466
	50,776	54,023

- (b) Rental income from an investee company amounted to HK\$1,453,000 (2018: HK\$1,424,000) based on the terms of rental agreement between the parties.
- (c) Rental expense to related companies amounted to HK\$14,288,000 (2018: HK\$14,760,000) based on the terms of master lease agreement between the parties.

41 POST BALANCE SHEET EVENT

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in the Mainland China and Hong Kong. The Group has paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the Group's consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak. The Group will continue to monitor the situation closely and carry out any necessary assessment on the potential financial impact to the Group's consolidated financial statements.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

As at 31 December 2019

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Non-current asset		
Subsidiaries	259,561	259,561
Current assets		
Amounts due from subsidiaries	2,888,009	3,310,341
Cash and bank deposits	8,981	7,222
	2,896,990	3,317,563
Total assets	3,156,551	3,577,124
EQUITY		
Share capital	312,517	312,485
Reserves (note a)	2,840,740	3,261,788
Shareholders' funds	3,153,257	3,574,273
LIABILITY		
Current liability		
Creditors and accruals	3,294	2,851
Total equity and liability	3,156,551	3,577,124
Net current assets	2,893,696	3,314,712
Total assets less current liability	3,153,257	3,574,273

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

42 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 2019	1,774,935	61,563	213,560	13	1,211,717	3,261,788
Comprehensive income						
Profit for the year	—	—	—	—	195,209	195,209
Transactions with equity holders						
Fair value of share options	—	7,328	—	—	—	7,328
Exercise of share options	1,776	(326)	—	—	—	1,450
Lapse of share options	—	(17,740)	—	—	17,740	—
2018 final dividend	—	—	—	—	(437,524)	(437,524)
2019 interim dividend	—	—	—	—	(187,511)	(187,511)
At 31 December 2019	1,776,711	50,825	213,560	13	799,631	2,840,740
At 1 January 2018	1,764,492	51,993	213,560	13	1,316,554	3,346,612
Comprehensive income						
Profit for the year	—	—	—	—	195,323	195,323
Transactions with equity holders						
Fair value of share options	—	15,651	—	—	—	15,651
Exercise of share options	16,855	(3,898)	—	—	—	12,957
Lapse of share options	—	(2,183)	—	—	2,183	—
Shares issued as scrip dividends	(6,412)	—	—	—	—	(6,412)
Reserve arising on scrip dividends	—	—	—	—	282,544	282,544
2017 final dividend	—	—	—	—	(397,853)	(397,853)
2018 interim dividend	—	—	—	—	(187,034)	(187,034)
At 31 December 2018	1,774,935	61,563	213,560	13	1,211,717	3,261,788

43 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
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
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
Enjoy International Limited	Hong Kong	1	N/A	100	Investment holding
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 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
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 International Development Limited	Hong Kong	1	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 investment
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 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 investment
Silver Capital Overseas Limited	Hong Kong	1	N/A	100	Property investment
Sky Notion Limited	Hong Kong	1	N/A	100	Investment holding
Skyport Fareast Limited	Hong Kong	1	N/A	100	Investment holding
Tin Wah International Limited	Hong Kong	1	N/A	100	Investment holding
Turnwell 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		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
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
K. Wah International Financial Services Limited	Hong Kong	10	1	100	Provision of financial services
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

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\$30,000,000	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 (Paid up: RMB10,000,000)	100	Property investment
上海嘉熙房地產開發經營有限公司 (Shanghai Jia Xi Real Estate Development Co., Ltd.)	Shanghai	RMB258,000,000 (Paid up: RMB253,346,511)	100	Property development and investment
上海嘉琛裝飾設計有限公司 (Shanghai Jia Chen Decoration & Design Co., Ltd.)	Shanghai	RMB50,000,000 (Paid up: RMB35,000,000)	100	Provision of decoration services
上海嘉英物業管理有限公司 (Cresleigh Property Management (Shanghai) Co., Ltd.)	Shanghai	RMB5,000,000 (Paid up: RMB3,000,000)	100	Property management
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 and investment
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
蘇州嘉熙房地產開發有限公司 (Suzhou Jia Xu Real Estate Development Co., Ltd.)	Suzhou	RMB100,000,000	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 and investment
廣州市泰樂商業經營管理有限公司 (Guangzhou Tairong Business Management Co., Ltd.)	Guangzhou	RMB60,000,000 (Paid up: RMB40,100,000)	100	Property investment

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				
Wholly-owned foreign enterprise				
廣州嘉揚房地產開發有限公司 (Guangzhou Jia Yang Real Estate Development Co., Ltd.)	Guangzhou	HK\$130,000,000	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\$1,430,000,000	100	Property development and investment
東莞嘉裕房地產開發有限公司 (Dongguan Jia Yu Real Estate Development Co., Ltd.)	Dongguan	RMB500,000,000	100	Property development
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\$2,600,000,000 (Paid up: HK\$2,480,000,000)	100	Property development
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 investment

(b) Joint Ventures

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
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
Gainable Development Limited	Hong Kong	10	N/A	40	Investment holding
Dragon Star H.K. Investments Limited	Hong Kong	1	N/A	40	Property development
Joy Origin Holdings Limited	Hong Kong	10	N/A	30	Investment holding
Sky Castle Limited	Hong Kong	1	N/A	30	Property development
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
蘇州禹鴻遠盈置業有限公司 (Suzhou Yuhongyuan Property Development Co., Ltd.)	Suzhou	RMB20,000,000		47	Property development
嘉興榮華置業有限公司 (Jiaxing Rongyu Property Development Co., Ltd.)	Jiaxing	RMB50,000,000		17	Property development
江門市新會區駿景灣譽峰房地產有限公司 (Jiangmen Xinhui Junjingwan Yufeng Real Estate Co., Ltd.)	Jiangmen	RMB700,000,000		50	Property development
江門市新會銀湖置業有限公司 (Jiangmen Xinhui Yinhu Property Development Co., Ltd.)	Jiangmen	RMB490,000,000		30	Property development

43 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(c) Associated Companies (note)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Ultra Keen Holdings Limited	Hong Kong	1	N/A	10	Property development
Incorporated in the British Virgin Islands					
Clear Elegant Limited	Hong Kong	2,000	US\$1	10	Investment holding
Incorporated in Mainland China					
		Registered capital			
崑山卓彌房地產開發有限公司 (Kunshan Zhoumi Real Estate Co., Ltd.)	Kunshan		RMB80,000,000 (Paid up: RMB40,016,000)	16.66	Property development

Note: Despite less than 20% 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 2019

	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	Completed	Existing
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
EDGE 88 Xizang North Road, Jingan District, Shanghai	Office	20,000	53.61	2056	Completed	Existing
The Peak 19 Xingxian Road, Nanjing	Commercial	8,000	100	2054	Completed	Existing
Huadu Jiahua Plaza Yingbin Road, Xinhuaazhen, Huadu District, Guangzhou	Hotel/Office/ Commercial	83,000	100	2039	Completed	Existing
Cove Gala 111 Jiangnan Zhong Road, Shilong Town, Dongguan	Commercial	11,600	100	2052 to 2054	Completed	Existing
Wuyi Road, Changning District, Shanghai	Office/ Commercial	12,500	100	2069	Planning	2022 or beyond
DEVELOPMENT PROPERTIES						
Hong Kong						
Solaria 16 Fo Chun Road, Tai Po, New Territories	Residential	61,600	100	2065	Construction	2020
2 Grampian Road, Kowloon	Residential	2,000	100	2047	Construction	2020
K. Summit 9 Muk Tai Street, Kowloon	Residential	53,000	100	2067	Construction	2021
New Kowloon Inland Lot No. 6549, Cheung Sha Wan	Residential	91,800	22.5	2067	Construction	2022
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	Construction	2022 or beyond
LOHAS Park Package Eleven Property Development, Tseung Kwan O	Residential	88,800	30	2069	Planning	2022 or beyond
New Kowloon Inland Lot No. 6577, Kai Tak Area 4A Site 1	Residential	99,900	40	2069	Planning	2022 or beyond
New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2	Residential	111,900	10	2069	Planning	2022 or beyond
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2022 or beyond

The Group's Significant Properties

As at 31 December 2019

	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 Phase 3 236 Jianguoxi Road, Xuhui District, Shanghai	Residential	15,100	100	2065	Completed	Existing
Grand Summit Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	2,000	100	2072	Completed	Existing
Windermere Lane 298, 300 Shadian South Road, Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	59,200	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/ Commercial	14,200	100	2084	Construction	2021
Site G89, Jiangning District, Nanjing	Residential/ Commercial	49,700	100	2057 to 2087	Construction	2021
Lot 42 in National Hi-Tech District, Suzhou	Residential/ Commercial	59,000	100	2088	Construction	2021
Lot 2019-WG-29, Gaotixincheng, Xiangcheng District, Suzhou	Residential/ Commercial	70,400	100	2059 to 2089	Planning	2022 or beyond
Lot 58 in National Hi-Tech District, Suzhou	Residential	75,000	47	2088	Construction	2020
Lot 12-2, in Economic & Technological Development Zone, Kunshan	Residential	66,000	16.66	2088	Construction	2020
Lot 44 in National High-tech District, Jiaxing	Residential	130,000	17	2087	Construction	2020
Huadu Jiahua Plaza Yingbin Road, Xinhuaazhen, Huadu District, Guangzhou	Apartment	24,800	100	2039	Completed	Existing
J Metropolis (West Site) Xinhuaazhen, Huadu District, Guangzhou	Residential/ Commercial	579,000	99	2034 to 2068	Phase I: Construction Others: Planning	2022 or beyond
Silver Cove 111 Jiangnan Zhong Road, Shilong Town, Dongguan	Residential	29,100	100	2082 to 2084	Completed	Existing
Hengjiang Village, Chashan, Dongguan	Residential/ Commercial	159,000	100	2058 to 2088	Construction	2021
J City Jianghai Site No. 02 & Site No. 12, Jianghai District, Jiangmen	Residential/ Commercial	278,600	100	2057 to 2088	Construction	2021
Jiajun Garden Xinhui Site No. 03, Xinhui District, Jiangmen	Residential	100,000	50	2088	Construction	2021
Site JCR-2018-127 (Xinhui Site No. 17), Xinhui District, Jiangmen	Residential/ Commercial	74,100	30	2058 to 2088	Planning	2022 or beyond

The information, drawings (including design concept drawings) and/or photos of the developments in Hong Kong (inclusive of the developments under construction) as provided in this Annual Report are for the purpose of the Annual Report of K. Wah International Holdings Limited ("KWIH") (please refer to the sales brochures for details of the respective developments) and are not and do not form part of any advertisement purporting to promote the sale of any residential property, and do not constitute and shall not be construed as constituting any offer, representation, warranty, covenant or contractual term whether expressed or implied (whether related to view or surrounding environment or not). No publishing or transfer to any third party is allowed without the prior written consent of KWIH and the respective vendors as stated in the sales brochures of the respective developments (each a "Vendor"). For some of such developments or projects, permission for promotional activities and/or pre-sale consent is/are not yet applied for and/or issued and the time of issue of such permissions and pre-sale consents are not certain. All time schedule of sales launch set out herein are of the tentative sale schemes and are for reference only. KWIH and the respective Vendors do not represent or warrant the time of issue of such permissions and/or consents. KWIH and the respective Vendors shall not be liable for any reliance of these information, drawings and/or photos by any party for his/her decision on purchase of any residential property in the respective developments or otherwise.

All photos, images, drawings or sketches in this Annual Report represent artists' impressions of the respective developments or the part of the respective developments concerned only. They are not drawn to scale and/or may have been edited and processed with computerized imaging techniques. In respect of any design concept drawings of the respective residential developments contained in this Annual Report, they are products of computer renderings. Pipes, conduits, air-conditioners, grilles etc. which might exist on the external walls, flat roofs or roofs, etc. of the respective developments, and the surrounding environment and buildings of the respective developments have been omitted. The respective renderings do not simulate or reflect the actual appearance and the surrounding environment of the respective developments. The respective design concept drawings do not simulate or reflect the view from any part of the respective developments and the present or future condition of the surrounding environment and buildings of the respective developments. The layout, partition, specifications, dimensions, colour, materials, fittings, finishes, appliances, equipment, furniture, household accessories, display, decorations, signs, clubhouse facilities, sculptures, models, artwork, plant, trees, landscape design, lighting features and lightings, etc. shown in the respective design concept drawings might be different from those, if any, to be actually provided in the respective developments and that they might not appear in the part of the developments concerned. The respective Vendors reserve the right to alter, increase and reduce the above items and clubhouse and recreational facilities, which are subject to the agreements for sale and purchase. The respective Vendors reserve the right to alter the building plans and other plans from time to time, which are subject to the final approvals of the relevant Government authorities. The provision of clubhouses and recreational facilities are subject to the terms and conditions of the agreements of sale and purchase and the final approvals of the relevant Government authorities. The opening time and use of different clubhouses and recreational facilities are subject to the relevant laws, land grant conditions, terms of the deed of mutual covenant and the actual conditions of the facilities. The use and operations of some parts of the facilities and/or services may be subject to the consents or permits to be issued by the relevant Government authorities. The respective Vendors reserve the right to amend the use of the facilities and/or services which are shown or not shown or specified in the design concept drawings. Such facilities (including clubhouse and ancillary recreational facilities, etc.) may not be in operation when the respective developments can be occupied. The respective Vendors reserve the rights to alter the clubhouse facilities and the partition, design, layout and use thereof. Fees may be separately charged on the use of the clubhouse(s) and different recreational facilities.

本年報中關於香港的發展項目(包括在建中的發展項目)的資訊、繪圖(包括設計概念圖)及/或相片乃嘉華國際集團有限公司(「嘉華國際」)為其年報而提供的(各該等發展項目的詳情請參閱各該等發展項目的售樓說明書),其本意並非促銷任何住宅物業的廣告或組成廣告的部分,也不構成亦不得詮釋作構成任何不論明示或隱含之要約、陳述、保證、承諾或合約條款(不論是否與景觀或周邊地區環境有關)。未得嘉華國際及該等發展項目的售樓書中所列明的賣方(「賣方」)的書面同意不可向第三方發布或轉發。部分的該等發展或該等發展項目未申請及/或未獲批出推廣許可書及/或樓花預售同意書,而該等許可書及/或同意書的發出時間尚未能確定。所載的所有銷售時間表只是銷售計劃的意向,僅供參考。嘉華國際及各相關賣方對該等許可書及/或同意書的發出時間不作陳述或保證。嘉華國際及各相關賣方對任何人士依賴本資訊、繪圖及/或相片而作出購買各該等發展項目中的任何住宅物業或其他的決定不承擔任何責任。

本年報中所有相片、圖像、繪圖及素描純屬畫家對各該等發展項目或各該等發展項目相關部分之想像。有關相片、圖像、繪圖或素描並非按照比例繪畫及/或可能經過電腦修飾處理。本年報所載的各該等住宅物業發展項目設計概念圖乃電腦模擬效果。各該等發展項目外牆、平台、天台等上可能存在之喉管、管線、冷氣機、格柵等及各該等發展項目周邊地區環境及建築物並無顯示。各電腦模擬效果並非模擬亦不反映各該等發展項目內任何部分之實際外觀或各該等發展項目周邊地區環境。各設計概念圖非模擬亦不反映各該等發展項目內任何部分的景觀及現在及將來的周邊地區環境及建築物等的狀況。各設計概念圖所示之布局、間隔、規格、尺寸、顏色、用料、裝置、裝修物料、設備、器材、家具、家居用品、擺設、裝飾、招牌、會所設施、塑像、模型、美術作品、植物、樹木、園林設計、燈飾及照明裝置等可能會與各該等發展項目所實際提供者(如有)不同,亦不一定在各該等發展項目的相關部分出現,各相關賣方保留權利改動及增減任何上述項件及會所及康樂設施,一切以買賣合約為準。各相關賣方保留權利改動建築圖則及其他圖則。建築圖則及其他圖則以有關政府部門最後批准者為準。各會所及康樂設施之提供以買賣合約條款及條件及有關政府部門最後批准者為準。不同會所及康樂設施之開放時間及使用受相關法律、批地文件及公契條款及現場環境狀況限制。部分設施及/或服務的使用或操作可能受制於政府有關部門發出之同意書或許可證。各相關賣方保留修改設計概念圖所顯示的及一切未顯示或列舉的設施及/或服務的用途之權利。各該等設施(包括會所、附屬康樂設施等)於各該等發展項目入伙時未必能即時使用。各相關賣方保留權利更改會所設施及其間隔、設計、佈局及用途。會所及不同康樂設施可能需要另行收費。

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