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: 00173)

Delivering Value with Distinctive Quality

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS HIGHLIGHTS

The Board of Directors ("***Board***") of K. Wah International Holdings Limited ("***Company***") is pleased to announce the consolidated annual results of the Company and its subsidiaries (together the "***Group***") as follows:

- Revenue of the Group was HK$10,652 million and taking into account joint ventures and associated companies, total attributable revenue of the Group was HK$11,714 million.
- Underlying profit was HK$3,156 million (5% up) while profit attributable to equity holders of the Company was HK$3,150 million.
- Earnings per share was 100.79 HK cents and the full year dividend per share (including final dividend per share of 14 HK cents) was 20 HK cents.
- Attributable contracted sales of the Group amounted to approximately HK$9.8 billion for the year ended 31 December 2019.
- As of 31 December 2019, attributable contracted sales of the Group yet to be recognised amounted to approximately HK$10.8 billion.
- As of 31 December 2019, net asset value per share increased to HK$12.4.
- The Group has acquired six pieces of residential/commercial land in Hong Kong and Mainland China on its own or via joint ventures. The Group, with its financial resources, will continue to assess any opportunities arising to replenish its landbank, on a disciplined basis and in a cautious manner, in Hong Kong, The Pearl River and Yangtze River Deltas.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**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	4	**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	5	**(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	6	**5,299,400**	5,538,504
Taxation charge	7	**(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

		HK cents	*HK cents*
Earnings per share	8		
Basic		**100.79**	129.51
Diluted		**100.67**	129.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**3,236,114**	4,176,704
Other comprehensive income/(loss):		
Item that will not be reclassified to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**1,234,878**	(2,096,044)
Item that may be reclassified to profit and loss:		
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**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**377,281**	485,296
Investment properties		**15,140,988**	14,138,018
Right-of-use assets		**22,486**	-
Leasehold land and land use rights		**-**	17,149
Joint ventures		**10,615,223**	6,436,888
Associated companies		**2,192,007**	1,105,550
Financial assets at fair value through other comprehensive income		**9,326,584**	8,091,706
Deferred taxation assets		**119,465**	97,646
Derivative financial instruments		**4,334**	-
Other non-current assets		**583,312**	569,899
		38,381,680	30,942,152
Current assets			
Development properties		**28,269,442**	29,952,900
Inventories		**1,658**	2,226
Amount due from a joint venture		**157,817**	-
Amounts due from associated companies		**15,707**	5,165
Debtors and prepayments	10	**625,445**	587,070
Financial assets at fair value through profit or loss		**1,312,704**	498,915
Taxes recoverable		**351,508**	416,884
Cash and bank deposits		**5,443,079**	7,488,536
		36,177,360	38,951,696
Total assets		**74,559,040**	69,893,848
EQUITY			
Share capital		**312,517**	312,485
Reserves		**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
LIABILITIES			
Non-current liabilities			
Borrowings		**15,170,602**	16,609,816
Guaranteed notes		**1,001,208**	1,000,127
Lease liabilities		**7,033**	-
Deferred taxation liabilities		**2,526,798**	2,449,047
		18,705,641	20,058,990
Current liabilities			
Amounts due to joint ventures		**1,260,655**	1,243,750
Amounts due to associated companies		**80,099**	372,909
Creditors, accruals and other liabilities	11	**1,412,838**	1,669,632
Pre-sales deposits		**5,944,004**	6,261,399
Current portion of borrowings		**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

NOTES

1. 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 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.

New standard and amendments to standards that are not yet effective

		Effective for accounting period 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.

1. **Basis of preparation (Cont'd)**

(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		
Consolidated balance sheet (extract)	As previously stated HK$'000	Effects of the adoption HK$'000	As restated 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.

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.

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.

2. 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 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.

	Property development		**Property investment**	**Others**	**Total**
	Hong Kong	**Mainland China**			
	HK$'000	***HK$'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**

2. Segment information (Cont'd)

	Property development		Property investment	Others	Total
	Hong Kong	Mainland China			
	HK$'000	*HK$'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

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:

2. Segment information (Cont'd)

Revenue

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**3,442,503**	7,188,205
Mainland China	**7,209,428**	3,571,587
	10,651,931	10,759,792

Non-current assets

	2019	2018
	HK$'000	*HK$'000*
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

3. Revenue

	2019	2018
	HK$'000	*HK$'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

4. Fair value gain on transfer of development properties to investment properties

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

5. Finance costs

	2019	2018
	HK$'000	*HK$'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

6. Profit before taxation

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**104,868**	66,705
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 capitalisation)	**25,985**	28,674
Depreciation for right-of-use assets	**3,856**	-
Amortisation for leasehold land and land use rights	**-**	123
Lease expenses	**5,809**	-
Operating lease rental for land and building	**-**	7,924
Loss on disposal of property, plant and equipment	**340**	171
Net exchange losses	**15,839**	87,888

7. Taxation charge

	2019	2018
	HK$'000	*HK$'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	**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.

8. 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

8. Earnings per share (Cont'd)

	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

9. 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.

10. Debtors and prepayments

	2019	2018
	HK$'000	*HK$'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

Trade debtors mainly comprise rental receivables. 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

11. 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	**3,201**	-
	1,412,838	1,669,632

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

	2019 HK$'000	2018 HK$'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

12. 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.

13. Post Balance Sheet Event

In response to the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will closely monitor its development and evaluate its impact on the financial position and operating results of the Group. As at the date on this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

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.

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.

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.

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, 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.

(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 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.

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 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, Gaotiexincheng, 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 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, Xinhuazhen, 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, Xinhuazhen 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.

Xinhuazhen 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.

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.

(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.

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 a 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.

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.

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 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 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.

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.

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

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 GOVERANCE POLICIES

Adhering to its philanthropic spirit of "giving back to the society", the Group takes a holistic approach in taking tangible steps to minimise any negative impacts associated with its operations on the environment and keep abreast of industry best practices as it works to build a sustainable and resilient future.

As an integral part of the Group's operation, engaging its stakeholders in a collaborative manner is essential. To maintain a healthy relationship with employees, customers and suppliers, we constantly communicate with them and understand their needs and expectations. The Group works diligently to provide a safe working environment as well as attractive remuneration packages and self-learning platforms for our staff. To improve our products and customer service quality, we handle complaints in accordance with standard procedures in a timely and consistent manner. For the 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.

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. 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". A full version of ESG Discussion will be available in the Group's Annual Report 2019.

CORPORATE GOVERNANCE

The Board and 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 under review, the Company has complied with the code provisions ("***CPs***") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on the HK Stock Exchange, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2018 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2019 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2019 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("***Model Code***") as set out in Appendix 10 of the Listing Rules as code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2019.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2019 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 3 June 2020 ("***2020 AGM***") a final cash dividend for the year ended 31 December 2019 of 14 HK cents per share, totaling HK$437,524,000, payable on 17 July 2020 to the shareholders whose names appear on the registers of members of the Company at the close of business on 17 June 2020 (2018: a final cash dividend of 14 HK cents per share totaling HK$437,524,000). Together with the interim cash dividend of 6 HK cents per share (2018: interim scrip dividend (with a cash option) of 6 HK cents per share), total dividends per share for the year ended 31 December 2019 is 20 HK cents (2018 total: 20 HK cents).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2020 AGM

The registers of members will be closed from 29 May 2020 to 3 June 2020, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2020 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 28 May 2020.

Entitlement to Final Dividend

The registers of members will be closed from 12 June 2020 to 17 June 2020, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 June 2020.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") (*www.hkexnews.hk*). The Company's 2019 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2020.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (Chairman & Managing Director), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. William Yip Shue Lam, Mr. Au Man Chu, Mr. Wong Kwai Lam and Mr. Nip Yun Wing.

By Order of the Board of
K. Wah International Holdings Limited
Lee Wai Kwan, Cecilia
Company Secretary

Hong Kong, 24 March 2020