

KW 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 2020 年報

Delivering Value
with Distinctive
建優創值 Quality
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.



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 commercial facilities 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.

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。

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優異見稱。

嘉華國際擅長於開發優質物業，由旗下專業團隊所拓展之項目涵蓋住宅、甲級寫字樓、酒店、服務式公寓及商業設施，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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THE PALACE SHANGHAI

Achievements

K. Wah International Holdings Limited

- 01 Gold Medal Awards 2020 — Outstanding Project Design
- BCI Asia Hong Kong's Top 10 Developers 2020
- The Listed Enterprise Excellence Awards 2020 — Corporate Governance
- Certificate of Excellence 2020 — Investor Relations
- Employer of Choice Award 2020
- Good MPF Employer Award 2019–2020
- Work-life Balance Award
- Quam IR Awards 2019
- 2019 annual report: Silver Award — “Real Estate Development — Cover Design”
- 2019 annual report: Platinum Award — “Report: Annual Report”

- 2019 annual report: “Top 100 Global Communications Materials”
- 2019 annual report: Bronze Award — “Cover Photo/Design: Property Development: Various & Multi-Use”
- 2019 annual report: Bronze Award — “Cover Photo/Design: Real Estate Development/SVC: Various & Multi-Use”

Solaria, Hong Kong

- 2020 Five Stars Residency
- 2020 Property Management Company of the Five Stars Residency

K. Summit, Hong Kong

- Best Development Marketing Hong Kong
- Devoted Developer with Thoughtful Layout Design Award of Excellence



Stanford Residences Serviced Apartment

- China Hotel Starlight Awards: Best Serviced Apartment Brand of China
- Timeout: Serviced Apartment of the Year
- Golden-Pillow Award of China Hotels: China's Best High-end Long Term Rental Apartment Brand
- World Travel Awards 2020: China's Leading Serviced Apartment Brand 2020
- 2020 Luxury Living Award : Outstanding Lifestyle Serviced Apartment

Palace Lane, Shanghai

- 2021 Urban Lifestyle Awards: Exquisite and Artistic Lifestyle District of the Year
- 2020 Brand Ceremony: Exquisite and Artistic Lifestyle District of the Year

Windermere, Shanghai

- Valued-brand Residential Property of the Year
- RICS Awards China 2020: Residential Project of the Year — Finalist

Bayview, Dongguan

- Dongguan Property Brands Awards 2020: Dongguan's Quality Riverside/Parkview Property
- Guangdong Property Brands Yearbook 2020: Dongguan's Best Selling Property of the Year
- Pearl River Delta Property List 2020: Five Stars Viewing Property for the Year 2020
- Dongguan Popular Property 2020
- JD Real Estate 2020: Quality Property of the Year
- 2020 China Real Estate Billboard Dongguan Station: 2020 Popular Residential Project

Dongguan Jia Yu Real Estate Development Co., Ltd.

- Pearl River Delta Property List 2020: Developer of the Year
- Guangdong Property Brands Yearbook 2020: Dongguan's Most Innovative Developer of the Year



Financial Calendar

DATES	EVENTS
20 August 2020	Announcement of Interim Results for the six months ended 30 June 2020
21 October 2020	Payment of 2020 Interim Cash Dividend of 7 HK cents per share
23 March 2021	Announcement of Annual Results for the year ended 31 December 2020
4 June 2021 to 9 June 2021 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2021 Annual General Meeting
9 June 2021	2021 Annual General Meeting
18 June 2021 to 23 June 2021 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2020 Final Dividend
23 June 2021	Record Date for 2020 Final Dividend
23 July 2021	Payment of 2020 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
Mrs. 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. Wong Kwai Lam
Mr. Nip Yun Wing

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*
Mr. Nip Yun Wing

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
*Certified Public Accountants and Registered Public Interest
Entity Auditor*

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

* *Listed in alphabetical order*

PRINCIPAL BANKERS*

Bank of China
DBS Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China (Asia)
Mega International Commercial Bank,
Hong Kong Branch
Nanyang Commercial Bank
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

Five Years Summary

CONSOLIDATED PROFIT AND LOSS STATEMENT

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	9,619,956	11,293,887	10,759,792	10,651,931	11,732,483
Profit before tax	5,071,846	6,735,327	5,538,504	5,299,400	4,860,324
Taxation charge	(1,845,715)	(2,218,052)	(1,361,800)	(2,063,286)	(1,564,805)
Profit for the year	3,226,131	4,517,275	4,176,704	3,236,114	3,295,519
Non-controlling interests	(44,135)	(611,093)	(130,314)	(86,376)	(27,080)
Profit attributable to equity holders of the Company	3,181,996	3,906,182	4,046,390	3,149,738	3,268,439
Earnings per share (HK cents)	107.6	128.2	129.5	100.8	104.6
Dividend per share (HK cents)	18.0	18.0	20.0	20.0	21.0

CONSOLIDATED BALANCE SHEET

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Non-current assets	8,831,175	13,181,711	14,738,109	15,660,220	16,225,167
Associated companies and joint ventures	2,255,043	8,344,364	7,542,438	12,807,230	13,511,241
Other non-current assets/ investments	5,668,480	10,772,942	8,661,605	9,914,230	10,916,424
Net current assets	19,880,535	24,532,041	26,118,563	20,441,897	26,523,812
Employment of capital	36,635,233	56,831,058	57,060,715	58,823,577	67,176,644
Financed by:					
Share capital	295,674	305,546	312,485	312,517	312,697
Reserves	25,064,023	34,697,102	35,328,008	38,573,520	43,264,074
Shareholders' funds	25,359,697	35,002,648	35,640,493	38,886,037	43,576,771
Non-controlling interests	1,766,770	2,014,039	1,361,232	1,231,899	1,248,191
Long-term borrowings and guaranteed notes	7,932,834	17,667,263	17,609,943	16,171,810	19,525,695
Other non-current liabilities	1,575,932	2,147,108	2,449,047	2,533,831	2,825,987
Capital employed	36,635,233	56,831,058	57,060,715	58,823,577	67,176,644
Net assets value per share (HK\$)	8.58	11.46	11.41	12.44	13.94

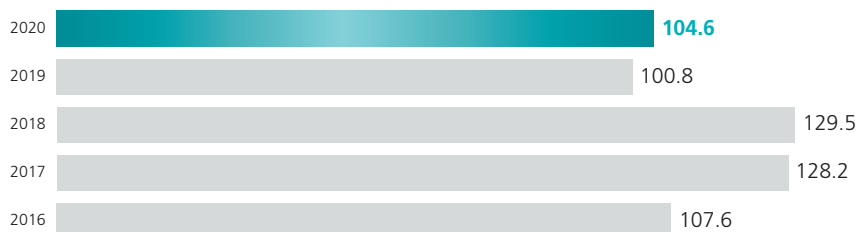
Revenue (HK\$ Million)



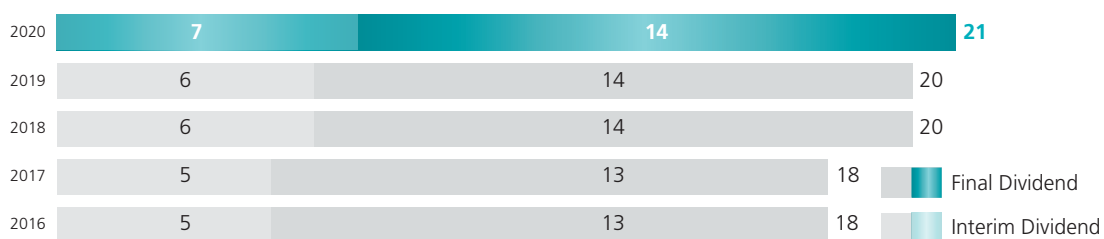
Profit Attributable to Equity Holders of the Company (HK\$ Million)



Earnings Per Share (HK Cents)



Dividend Per Share (HK Cents)



Net Assets Value Per Share (HK\$)



Statement from the Chairman



Dear Shareholders,

Backed by both its prudent strategy and persistence in the delivery of exquisite quality projects, KWIH accurately assessed market sentiments during the year under review. The premium projects launched in Hong Kong and Mainland China reported satisfactory results with attributable contracted sales amounted to approximately HK\$11.5 billion. For the financial year ended 31 December 2020, the Group's attributable revenue amounted to approximately HK\$12.5 billion while profit attributable to equity holders amounted to about HK\$3.3 billion. Underlying profit amounted to HK\$3.5 billion.

The Board has recommended a final dividend of 14 HK cents per share for the year ended 31 December 2020. Together with the interim dividend of 7 HK cents per share, the dividend for

the full year amounted to 21 HK cents per share, as we continue to provide shareholders with stable returns.

2020 was a year full of challenges. The COVID-19 adversely affected the global political and economic landscape. Many sectors suffered from the most severe blow ever seen, while the Hong Kong economy was also subject to serious disruption. At the same time, factors including deterioration in relationship between China and the United States ("US"), the US presidential election and Brexit negotiations between the United Kingdom and the European Union all contributed to the cautious sentiments in the Hong Kong property market.

Amid the pandemic and the consequential social distancing measures, there was a slowdown in new project launches in the Hong Kong property market during the year under review. Nevertheless, given the prolonged low-interest rate environment and considerable demand for residential properties from potential homebuyers, the transactions of the primary and secondary markets combined remained stable. In Mainland China, economic activity in the first quarter of 2020 was inhibited by lockdown measures. However, following the resumption of business and manufacturing operations upon the pandemic came under control, there was a clear recovery in property sales alongside the noticeable rebound in local economic activity. The Central Government was determined to maintain a stable property market and remained committed to the principle of “housing for living in, not for speculation”. Benefitting from its sound and prudent development strategy, KWIH secured satisfactory sales results as it continued to timely launch its premium projects in the Yangtze River Delta and Greater Bay Area as well as Hong Kong.

Adhering to its prudent land-bidding strategy, KWIH participated in a number of land auctions during the year under review and successfully acquired new projects in Hong Kong and Mainland China. They were the MTR LOHAS Park Package 13 property development project in Hong Kong and the comprehensive development in Hexi New Town, Nanjing. The Group will continue to replenish its landbank in an orderly, disciplined manner in 2021 to provide a solid impetus for future development.

OUTLOOK

Governments around the world have rolled out COVID-19 vaccination campaigns for their citizens, global economic recovery will be back on track. Any changes in the relationship between China and US following the new administration taking office, geo-political developments and signs of de-globalisation all cast uncertainties and volatilities over the global economy. The business environment remains tough for some business sectors and given that the Hong Kong economy is subject to external factors and high local unemployment rate, some property investors may prefer to stand sidelined amidst cautious sentiment. But the global interest rate remains low and the unyielding demand for residential properties remain. Thus, KWIH remains cautiously optimistic for the stable and healthy development of the local and Mainland property markets in the medium to long term. We believe that the pent-up purchasing powers of end-users will be released once the pandemic is under control. The Group will continuously develop our business by pursuing business opportunities in Hong Kong, the Yangtze River Delta and the Greater Bay Area.

During the year under review, Mr Au Man Chu retired as an Independent Non-executive Director. On behalf of the Group, I would like to express our sincere gratitude to Mr Au for the invaluable contributions he made to the Group during his tenure. I would also like to thank, on behalf of the Board, all our staff who performed their duties with dedication during this difficult time and continue to make contributions to the Group with unceasing effort. I look forward to their continued collaboration with the Group to cope with various challenges and realise the Group’s vision for long-term and sustained business growth.

Dr Lui Che-woo
Chairman

23 March 2021



K. SUMMIT
HONG KONG

Management Discussion and Analysis

OPERATIONS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the year ended 31 December 2020 was HK\$11,732 million, primarily derived from the property sales of Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai and Silver Cove in Dongguan as well as the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$722 million) was HK\$12,454 million for the year ended 31 December 2020.

Profit attributable to equity holders of the Company was HK\$3,268 million while the underlying profit of the Group was HK\$3,542 million before the net of tax fair value change of investment properties for the year ended 31 December 2020.

The total comprehensive income attributable to equity holders of the Company was HK\$5,337 million for the year ended 31 December 2020 after accounting for the fair value change on the non-current investment of an approximately 3.74% interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets at year end.

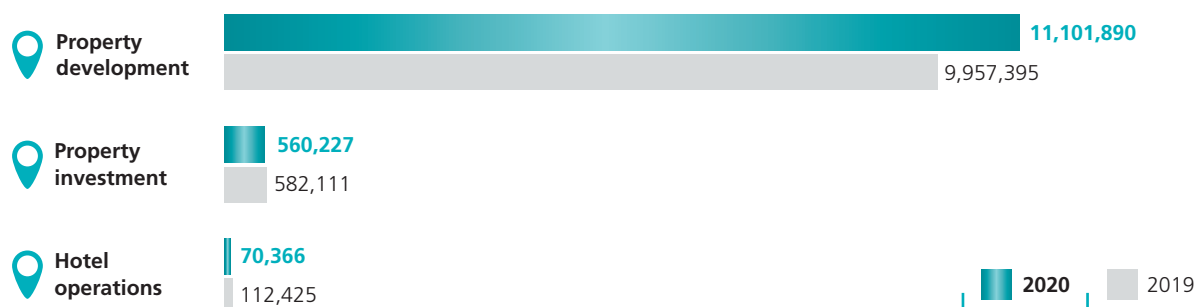
Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2020 amounted to approximately HK\$11.5 billion, mainly derived from K. Summit and Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, Bayview and Silver Cove in Dongguan, and J City in Jiangmen, as well as joint venture projects in Mainland China.

As of 31 December 2020, the Group had attributable contracted sales yet to be recognised amounted to approximately HK\$10.5 billion, expected to be accounted for in the year of 2021 and 2022.

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020					
Revenue	8,109,785	2,992,105	560,227	70,366	11,732,483
Adjusted EBITDA	3,699,672	1,608,518	440,473	(250,926)	5,497,737
Total assets	26,823,564	28,489,223	16,211,050	10,230,228	81,754,065
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

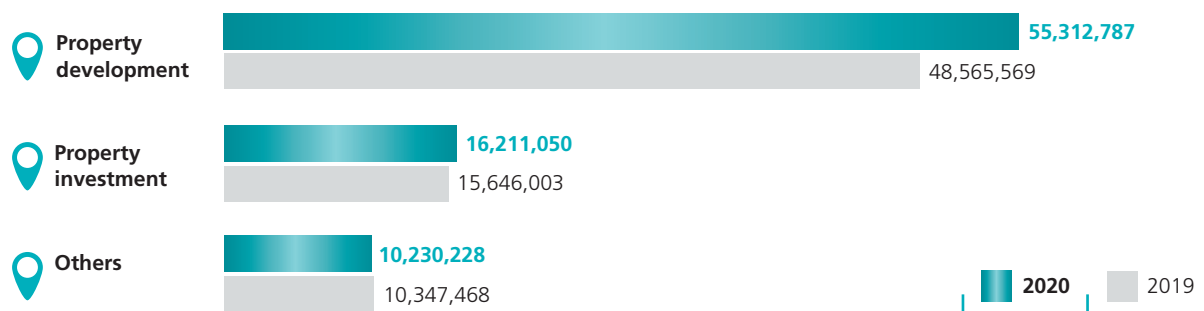
Revenue by Division

For the year ended 31 December 2020
(HK\$'000)



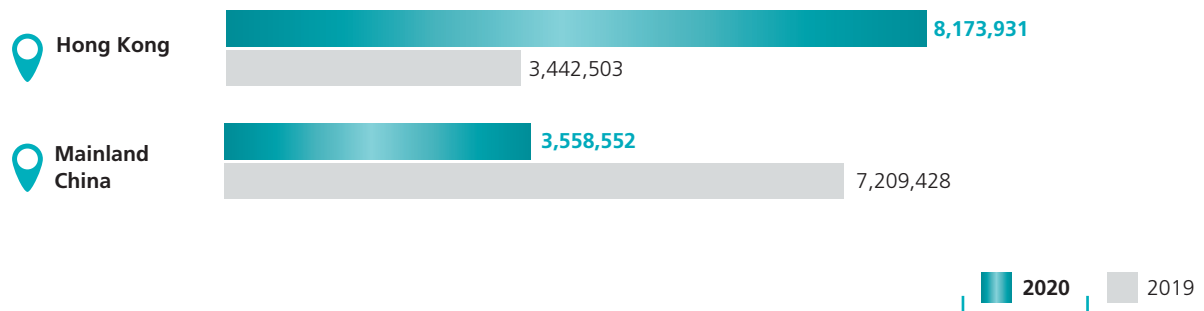
Total Assets by Division

As at 31 December 2020
(HK\$'000)



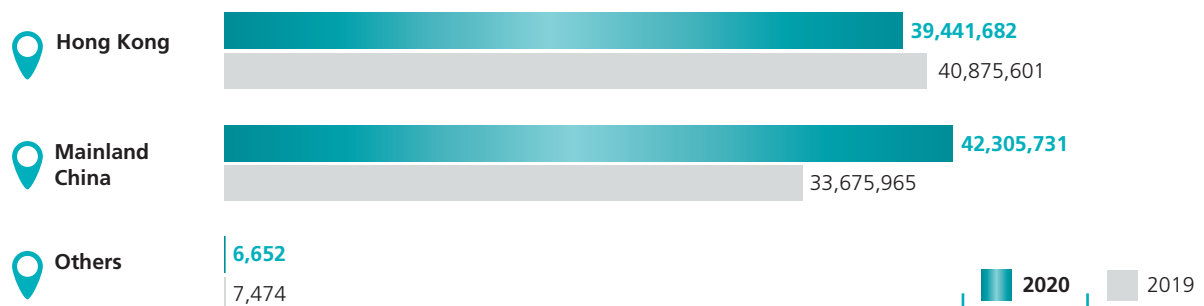
Revenue by Geographical Area

For the year ended 31 December 2020
(HK\$'000)



Total Assets by Geographical Area

As at 31 December 2020
(HK\$'000)



Property Development

(A) Hong Kong

The Group continued to market K. Summit and Solaria during the year. New batches of units at K. Summit were put up for sale with encouraging responses despite the COVID-19 pandemic. The handover of pre-sold units for Solaria commenced in February following issuance of the certificate of compliance, with corresponding sales revenue recognised in the year.

Details of the Group's major development projects are as follows:

Solaria, Tai Po (100% owned)

This premium residential development is located in Pak Shek Kok, with a total GFA of approximately 61,600 square metres offering 1,122 units. Pre-sales began in 2018 and were well received by the market, resulting in contracted sales of HK\$8.5 billion in total with approximately 85% of the units sold as of year-end. The handover of sold units to buyers commenced in February upon granting of the certificate of compliance, with HK\$7.9 billion revenue recognised in the year.

K. Summit, Kai Tak (100% owned)

This development has a total GFA of approximately 53,000 square metres and is located in 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 with 1,006 units. Pre-sales launched in late 2019 with favourable market responses, achieving contracted sales of approximately HK\$5.8 billion in the year and HK\$7.2 billion in total as of year-end. Superstructure works are well underway with targeted completion and handover of pre-sold units in the second half of 2021.

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. The development is completed and sales are expected to be launched in 2021.



HONG KONG

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

* Location shown on an approximate basis only and accuracy not assured.

Grand Victoria, South West Kowloon (22.5% owned)

This project with a total GFA of approximately 91,800 square metres, is situated in a coveted urban waterfront location with panoramic harbour views within walking distance to the MTR Nam Cheong Station. This is a project jointly developed with other property developers and is being developed into a premium-graded residential property comprising 1,437 units in three phases. Superstructure works are in progress as scheduled with targeted completion in 2023. Pre-sale of its Phase I units was first launched in mid-March of 2021, with satisfactory response.

Lot No.1040 in D.D. No.103, Kam Sheung Road Station Package One Property Development, Yuen Long (33⅓% owned)

This project has a total GFA of approximately 114,800 square metres and is 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 by a joint venture with other property developers. Foundation works are well

underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the second half of 2021.

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

This site, with a total GFA of approximately 99,900 square metres, is located in the Kai Tak Development Area close to the Kai Tak Station on the MTR Tuen Ma Line. It sits on the former runway of the old Kai Tak Airport and is being developed into a premium residential project by a joint venture with other property developers. Foundation works are well underway. The project is targeted to complete in 2024.

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

This site, with a total GFA of approximately 111,900 square metres, is located in the Kai Tak Development Area next to the aforementioned Kai Tak Area 4A Site 1, with panoramic views of Victoria Harbour. The project is being developed into a premium residential project by a joint venture with other property developers. Foundation works are well underway. The project is targeted to complete in 2024.



Solaria, Hong Kong

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

This site, with a total GFA of approximately 88,800 square metres, is situated on the seafront at Tseung Kwan O and connected to the MTR LOHAS Park Station. The site is being developed into a premium residential project by a joint venture with other property developers. Superstructure works are scheduled to be commenced in the second quarter of 2021 with targeted completion in 2024.

LOHAS Park Package Thirteen Property Development, Tseung Kwan O (25% owned)

This newly acquired site has a total GFA of approximately 144,000 square metres and will be developed into a premium residential project by a joint venture with other property developers. It is located northwest of the MTR LOHAS Park Station and enjoying views of Junk Bay. Planning and design work is underway.

While the Group had launched units at K. Summit and Solaria for sale timely in the year and achieved satisfactory contracted sales, the remaining units will be launched to the market in 2021. First batch of units of Phase I of the new joint venture project, Grand Victoria, South West Kowloon was launched for sale in mid-March of 2021 with satisfactory results while a new and wholly-owned luxury project on Grampian Road and another new joint venture project in Kam Sheung Road Station Package One Property Development, Yuen Long, in the sales pipeline, will also be launched for sale in 2021 amid an improving market with COVID-19 vaccination progressing. Construction works of its projects are in progress largely on schedule and handover of pre-sold units of K. Summit is expected to be commenced in the last quarter of 2021.



K. Summit, Hong Kong



**AZURE
SHANGHAI**



(B) Mainland China

During the year, the Group continued to sell the remaining units of its various completed projects and launched three new residential projects: Bayview in Dongguan, and J City, and a joint venture project, Jiajun Garden, both in Jiangmen.

Details of the Group's major development projects are as follows:

Shanghai, Nanjing and Suzhou

Phase III of The Palace, 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 43,000 square metres, comprising two towers with 106 spacious residential units, offering flats sized between 240 and 540 square metres. The sales launch started in 2019 and was well received by the market with its prime location and quality. The project is completed and only a few units are available for sale as of year-end.

Windermere, Qingpu District, Shanghai (100% owned)

Located in Zhujiyajiao 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 with approximately 70% of the units sold as of year-end.

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

This completed development is situated in a well-developed residential area with good transportation links to Pudong CBD. It comprises 6 towers or 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 being held for serviced apartments under "Stanford Residences Jin Qiao". Subject to market conditions, the project is expected to be launched for sale in 2021.



SHANGHAI

- 1 The Palace, Stanford Residences Xu Hui & Palace Lane
- 2 Grand Summit & Stanford Residences Jing An
- 3 Azure & Stanford Residences Jin Qiao
- 4 Windermere
- 5 Weifang Village Street project
- 6 Shanghai K. Wah Centre
- 7 EDGE
- 8 Wuyi Road project

NANJING

- 9 Site G89, Jiangning District
- 10 Site 2020G72, Hexi New Town, Jianye District
- 11 Commercial portion at The Peak

SUZHOU

- 12 Lot 42, National Hi-Tech District
- 13 Royal Mansion
- 14 Lot 2019-WG-29, Gaotixincheng, Xiangcheng District

KUNSHAN

- 15 Lot 12-2, Economic & Technological Development Zone

JIAXING

- 16 Lot 44, Xiuzhou National Hi-Tech District

* Location shown on an approximate basis only and accuracy not assured.

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

This project, with a total GFA of approximately 14,200 square metres, is located by the Huangpu River in Pudong and is being developed into residential buildings. It is situated in a prime location of the Lujiazui Financial Centre. 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. It is expected to be launched for sale in late 2021, subject to market conditions.

Site 2020G72, Hexi New Town, Jianye District, Nanjing (100% owned)

This newly acquired site is located in a core urban district, in close proximity to the central business district of Hexi and next to Wuhoujie Metro Station, which holds great potential for development. The project, with a total GFA of approximately 477,000 square metres, will be a comprehensive development integrating residential and commercial portions, offices and a hotel for sale and/or for long-term investment. Planning and design work is underway while the land site will be handed over to the Group in the first half of 2021.

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 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. Construction works are in progress with expected completion in 2021.



Weifang Village Street project, Shanghai



Site G89, Jiangning District, Nanjing

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

This site is located in Suzhou Xiangcheng District, next to the Suzhou Railway Station and the Suzhou Rail Transit Line 2. It has a total GFA of approximately 70,400 square metres and is being developed into residential buildings. It is expected to be launched for sale in the second half of 2021, subject to market conditions. Construction works are in progress with expected completion in 2022.

Royal Mansion, 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 and the Suzhou Rail Transit Line 6 under-construction. It has a total GFA of approximately 75,000 square metres, offering 654 units in 11 residential buildings. Around 80% of the units had been sold as of year-end. The pre-sold units are being handed over to buyers from December, following the development's completion.

Other joint venture projects in Yangtze River Delta Area

Pre-sales of the joint venture property developments in Kunshan and Jiaxing, which commenced in the late 2018, have been well received with almost all the residential units sold as of year-end. The pre-sold units are being handed over to buyers in early 2021 following the developments' completion.

Guangzhou, Dongguan and Jiangmen

Phases III&IV of K. Wah Plaza, Huadu District, Guangzhou (100% owned)

This site is close to Baiyun International Airport and has a total GFA of approximately 86,000 square metres, consisting of four buildings including apartments, offices and retail facilities. Following the first launch of apartments in late 2018 with the majority of the units launched sold, the last block of apartments was put on the market in the year in order to meet buyers' demand. Meanwhile, the offices and retail portions are being held as investment properties for rental.



Windermere, Shanghai

Cosmo, Xinhuzhen West Site, Huadu District, Guangzhou (99% owned)

This project is only steps away from Baiyun District and is poised to benefit from the enhanced transportation networks. The project has a GFA of approximately 579,000 square metres and is being developed in phases for residential units and commercial complexes. The first phase, with a GFA of approximately 187,000 square metres, will provide 1,474 residential units of two-to four-room flats and a commercial complex of 23,000 square metres. The first block of units was launched for sale in mid-March of 2021. Construction works are underway, and the development is expected to be completed in 2022.

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

Located in the Xihu Village of Shilong Town, this project enjoys an expansive river frontage and is within walking distance from Dongguan Railway 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 being retained for rental. The development is completed and with 116 units sold in the year, there were only a few units available for sale as of year-end.

Bayview, Songshan Lake District, Dongguan (100% owned)

The project, situated in a prominent location in Songshan Lake District, Dongguan, is close to the central living area of Chashan Town with panoramic river view and in close proximity to Chashan Station on Dongguan Rail Transit Line 2. It has a total GFA of approximately 159,000 square metres and will provide 1,196 units, mainly of three- and four-bedrooms and some special units, and approximately 2,000 square metres of ancillary commercial facilities. Pre-sales started in November with overwhelming market responses, so new batches of units were put on the market to meet buyers' demand and by January 2021 approximately 90% of the 380 units launched have been sold. More units will be put on the market in 2021. Construction works are in progress with expected completion in 2021.



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

J City, Jianghai District, Jiangmen (100% owned)

The project is located in Jianghai District, next to the Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Railway. The development, comprising two adjacent land sites with a total GFA of approximately 278,600 square metres in aggregate, is being completed in phases from December onwards. It will provide 2,261 residential units available for sale together with ancillary commercial facilities. Pre-sales began in April after the sales consent of certain blocks was granted, and majority of the units launched were sold as of year-end.

Jiajun Garden, 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 will provide 858 residential units available for sale. Pre-sales were launched in January and half of the units launched were sold as of year-end. Construction works are in progress with expected completion in 2021.

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

This 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 is being developed into residential buildings with ancillary commercial facilities. Construction works are in progress with expected completion in 2022.

While the Group successfully launched the new project Bayview in Songshan Lake District, Dongguan in November, more units will be put on the market in 2021. The Group will also continue to market its remaining units in various projects in Mainland China. On the other hand, more units of Cosmo in Huadu District, adjacent to Baiyun District, Guangzhou, and new projects, Azure in Pudong New District, Shanghai, Lot 2019-WG-29 in Xiangcheng District, Suzhou and Site G89 in Jiangning District, Nanjing in the sales pipeline will be launched for sale in 2021, subject to market conditions.



Lot 42, National Hi-Tech District, Suzhou

Management Discussion and Analysis

Due to the pandemic, the construction of the Group's projects had been suspended for a short period of time early of the year but resumed in April. The overall development of the Group's projects under construction however remained on schedule and a number of projects in Shanghai, Nanjing, Suzhou, Dongguan and Jiangmen are targeted for completion in 2021.

Property Investment

(A) Hong Kong

Rental revenue decreased as concessions were granted to certain tenants whose businesses were adversely affected by tightened social distancing measures and cross-border travel restrictions. Nevertheless, the Group's investment properties remained at high occupancy.

Details of the Group's major investment projects are as follows:

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.

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.

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.



* Location shown on an approximate basis only and accuracy not assured.

(B) Mainland China

Rental moderately decreased due to certain concessions granted to the most affected tenants. Nevertheless, occupancy remained at high levels.

Details of the Group's major investment projects are as follows:

***Shanghai K. Wah Centre, Shanghai
(69.6% effective interest)***

This prime investment property is situated on Huaihai Zhong Road of Xuhui District, a central business district of Shanghai, with a total GFA of approximately 72,000 square metres. It remains one of the leading offices in the city and continues to attract tenants from multinational corporations. The property achieved an average occupancy rate of about 95% over the year and 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 achieved high occupancy with an overall occupancy rate of over 80%, delivering a stable rental income to the Group.

Palace Lane, Shanghai (100% owned)

To serve its prestigious 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 almost full occupancy as of year-end.



Bayview, Dongguan

Management Discussion and Analysis

EDGE, Shanghai (53.61% owned)

EDGE, located by Suzhou Creek in Jingan District, with a total GFA of approximately 21,000 square metres, is close to various public transportation networks and connected to Qufu Road Station, an interchange station for Line 8 and Line 12 of the Shanghai Metro. The concept of sustainability is integrated into the building design by incorporating green building features and the use of energy-efficient technologies and materials. While an early city lockdown resulting from the pandemic disturbed its leasing activities, the building became operational in the second half of the year. Following the tenancy with a world renowned biopharmaceutical company for portions of approximately 14,000 square metres being executed in March 2021, EDGE is fully let.

Wuyi Road, Changning District, Shanghai (100% owned)

This site is situated in a historical and cultural heritage area in a well-developed community with good public transport networks. It has a total GFA of approximately 13,700 square metres and is positioned to be an oasis integrating commerce, dining, leisure and entertainment with modern and traditional architectural elements. To enhance the street-front and improve the vibrancy of the project, an adjacent garden house enjoying street-front location with a GFA of approximately 600 square metres was acquired in March 2021. More flexibility in layout and design will then be enjoyed. Construction works are in progress with expected completion in 2022.



Cosmo, Guangzhou

Cove Gala, Dongguan (100% owned)

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

K. Wah Plaza, Guangzhou (100% owned)

Situated at a prime location in Huadu District with convenient access to a number of public transportation networks, the retail space and offices held for rental have a total GFA of approximately 51,000 square metres, with an overall occupancy of 40% as of year-end.

While the Group is principally engaged in property development, it is also on track to enlarge its portfolio for recurring income, with a GFA of approximately 21,000 square metres added following the completion of the office project EDGE in Shanghai. With commercial land at Wuyi Road, Changning District, Shanghai under development and portions to be held for the long term under the newly-acquired comprehensive development land site in Jianye District, Nanjing with a GFA of approximately 208,000 square metres, both in Mainland China, our recurring income base will be further expanded.



J City, Jiangmen

Land bank replenishment

The Group participated in a number of land bids during the year. As a result, the Group in October, via a joint venture with other property developers, successfully acquired a residential project in Tseung Kwan O, Hong Kong, for a total GFA of approximately 144,000 square metres, and also won a land bid on its own for a site located in Hexi New Town, Jianye District, Nanjing, Mainland China, for a comprehensive development, including residential and commercial portions, offices and a hotel. The project has a total GFA of approximately 477,000 square metres.

The Group will in accordance with its prudent and proactive strategy continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and Mainland China, particularly in the Yangtze River Delta and the Greater Bay Area, taking into account the prevailing market uncertainties.

Investment in GEG

The Group has an investment of 162 million shares, or approximately 3.74% interest, in GEG, measured at fair value and classified as non-current assets. It represented 12% of the Group's total assets as of 31 December 2020. The principal activities of GEG are gaming, the provision of hospitality and the sale, manufacture and distribution of construction materials.

As of 31 December 2020, the share price of GEG had increased by approximately 5% to HK\$60.25 from HK\$57.4 as of 31 December 2019. The increase in fair value of HK\$463 million was credited to reserves. During the year, the Group received a cash dividend of HK\$73 million from GEG. The audited consolidated loss attributable to equity holders of GEG for the year ended 31 December 2020 was HK\$3,973 million (2019: profit of HK\$13,042 million), while the audited consolidated net asset value attributable to equity holders of GEG as at 31 December 2020 was HK\$67,424 million (2019: HK\$73,587 million).



Wuyi Road project, Shanghai

GEG, as stated in its 2020 annual results announcement, is positioned to capture future growth with their substantial development pipeline. This includes the ongoing development of Cotai Phases 3 & 4 that are specifically designed to capture a larger share of the Mass business, renovate the existing properties, reconfigure and introduce new products to resorts in order to remain competitive. Its strong financial position enables GEG to fund its development pipeline and its international expansion plans.

The Board continues to view its investment in GEG as sound and for the long-term.

MARKET REVIEW AND OUTLOOK

Global, Mainland China and Hong Kong

During the year, the global economy was severely affected by the COVID-19 pandemic which substantially halted global economic activity. Escalating tensions and intensified competitions in multiple areas between Mainland China and the United States (the "US"), and the resulting disruption in the global supply chain further dampened the confidence of both consumers and investors.

Major economies recorded negative GDP growth in the year and are still fighting against the pandemic except Mainland China which had turned around in the second quarter. In Hong Kong, GDP recorded a negative growth of 6.1%, the worst since 1961.

In response to the pandemic, most developed countries implemented relief measures and fiscal stimuli resulting in ample amount of funds injected into the markets. A "Zero or negative interest rate policy" was adopted in order to boost the economy. Global business confidence is gradually improving following vaccination campaigns being rolled out in most developed countries. However, the uncertain Sino-US relationship and geopolitical landscape may slow the global recovery. Hong Kong will however benefit from the vaccinations in progress and also from the fast recovery of Mainland China's economy which targeted its GDP growth in 2021 to be not less than 6%.



EDGE, Shanghai

Management Discussion and Analysis

Hong Kong property market

The Hong Kong economy has been severely affected by the pandemic. Despite the challenges, the high liquidity, low interest rate and resilient demand ensured the stability of the residential property market through the year. Conversely, retail, especially food and beverage, and travel sectors were hard hit, resulting in high unemployment. However, the Group was not particularly impacted by these factors, nor the abolition of the double rate of stamp duty on commercial properties in November, as we are principally engaged in the residential market.

Mainland China property market

The economy was severely interrupted by the outbreak of COVID-19 early in the year due to city lockdowns. However, the residential property market rapidly re-gained momentum and sales activities rebounded from April. The government's restrictive policies for the property market generally remained in place with some cities tightening their measures to contain surging prices. Office and serviced apartment leasing also remained stable and healthy in the year.

The “three red lines” policy was announced in August by the People's Bank of China and the Ministry of Housing and Urban-Rural Development, setting caps on three ratios in relation to property developers' debt levels, resulting in a tightening of liquidity for some developers. Given our healthy financial position, however, the new requirement has had minimal impact on the Group.

Conclusion

With vaccination campaigns being rolled out globally, the pandemic is likely to be brought under control. The global economy is generally expected, though volatile, to be recovering from the second half of 2021 onwards. Despite new US president Joe Biden taking up his office in January 2021, the relationship between Mainland China and the US remains uncertain. Escalating geopolitical tensions, profound changes in the international landscape and signs of de-globalisation also continue to cast uncertainties and volatilities in the global economy while latest economic data evidenced fast recovery of Mainland China.



Shanghai K. Wah Centre



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

Despite this challenging business environment, the Group remains optimistic about demand in the Hong Kong and Mainland China property market. With a pragmatic mindset backed by our wealth of experience, we are indeed well positioned to continue to deliver distinctive quality products and services with both functionality and floor plan design meeting buyers' needs and enhancing the value of their properties acquired. The Group will continue to launch projects in our pipeline subject to market conditions, as well as replenish our land bank, in a disciplined and selective manner. The Group, with its solid financial resources, proven management competencies and a positive outlook for property market demand in Hong Kong and Mainland China, is well positioned to pursue any opportunities in the uncertain market, both in Hong Kong by benefiting from co-operation with cities in the Greater Bay Area and in Mainland China with its sustainable development under the 14th "Five Year Plan".

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory throughout the year. As of 31 December 2020, total funds employed (being total equity and total borrowings and guaranteed notes) was HK\$70 billion (2019: HK\$61 billion). The number of issued shares of the Company increased to 3,126,974,615 as of 31 December 2020 (2019: 3,125,174,615) due to 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 2020, the Group's borrowings of bank loans and guaranteed notes were HK\$25,042 million (2019: HK\$20,441 million) and 22% is repayable within one year. The maturity profile of the borrowings is spread over a period of up to five years except for an amount of HK\$454 million which is due after 5 years. The average interest rate for the Group decreased to 2.1% (2019: 2.9%) resulting from the declining HIBOR during the year.



Palace Lane, Shanghai

Management Discussion and Analysis

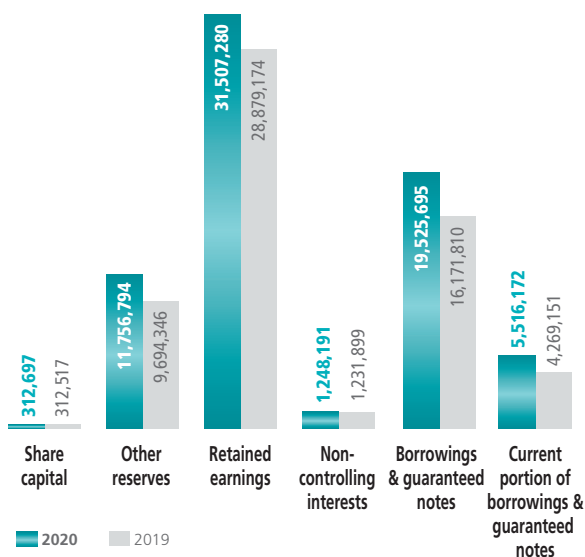
As of 31 December 2020, the Group had available undrawn banking facilities totaling HK\$12,146 million (2019: HK\$15,994 million) comprising HK\$7,720 million (2019: HK\$10,179 million) for working capital and HK\$4,426 million (2019: HK\$5,815 million) for project facility purposes.

As of 31 December 2020, cash and bank deposits stood at HK\$7,673 million (2019: HK\$5,443 million), and approximately 62% 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, increased from 37% as of 31 December 2019 to 39% as of 31 December 2020, mainly due to the payments for land acquisition.

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

Sources of Funding

As at 31 December 2020
(HK\$'000)



K. Wah Plaza, Guangzhou and Crowne Plaza Guangzhou Huadu

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 in the medium and longer term. Accordingly, interest rate swap contracts for the total amount of HK\$2.9 billion were executed for 3 years or 5 years as of the year end.

Of the Group's bank loans and guaranteed notes of HK\$25,042 million as of 31 December 2020, approximately 91% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 84% 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 2020, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$22,003 million (2019: HK\$18,504 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2020, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures amounting to HK\$10,110 million (2019: HK\$7,483 million), of which facilities totaling HK\$6,614 million (2019: HK\$5,867 million) have been utilised. In addition, the Group provided guarantees amounting to HK\$627 million (2019: HK\$1,186 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.



Cove Gala, Dongguan

Management Discussion and Analysis

As of 31 December 2020, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK\$32,191 million (2019: HK\$32,364 million) and HK\$9,961 million (2019: HK\$7,453 million) respectively. Of these, facilities totaling HK\$22,712 million (2019: HK\$18,685 million) and HK\$6,589 million (2019: HK\$5,867 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group, excluding its associated companies and joint ventures, employs 971 employees in Hong Kong, Mainland China and Singapore. Employees cost, excluding Directors' emoluments, amounted to approximately HK\$406 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. Pursuant to which, the Company had in July 2020 granted a total of 25,410,000 share options to the Company's directors and certain employees of the Group at an exercise price of HK\$3.462 per share. 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.



J SENSES, Hong Kong

Environmental, Social and Governance Policies

This section highlights the Group's Environmental, Social and Governance ("ESG") related policies and performance for the financial year ended 31 December 2020. Further details are included in the standalone ESG Report 2020 which is prepared in accordance with the requirements of the ESG Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("HK Stock Exchange").

BUILDING A SUSTAINABLE FUTURE

The Group is committed to integrating the principle of sustainable development into our operations to create long-term value and contribute to a better future. Going beyond regulatory compliance, we have focused our efforts on resource conservation, emission reduction and green building development to responsibly manage our environmental footprint. We employ an integrated approach to ensure sustainability considerations regarding the use of materials, energy usage, water and air quality, conservation are incorporated into building construction and operation.

We are pleased to receive market recognition for our endeavours, including LEED Certification for EDGE in Shanghai and BEAM Plus Certification for several projects in Hong Kong. For the third year in a row, the Group has been a constituent of the Hang Seng Corporate Sustainability Benchmark Index.

Internally, the Group has made great strides in improving our sustainability performance over time. We start at the ground-level by raising employees' environmental awareness supplemented by various asset-level initiatives such as upgrading existing hardware to more energy-efficient models. As a result of collaborative efforts within the Group, our emission and energy intensity levels decreased 5% and 8% respectively compared to 2019.

AN ACCOUNT OF KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As we drive sustainable business growth, we maintain ongoing and proactive engagement with our stakeholders in an effort to create a positive mutual understanding and to build effective long-term relationships.

Empowering Employees

Following our people-oriented approach, we work diligently to create a supportive workplace which fosters open and interactive communication, supports professional development and protects the well-being of our staff. Our employees are remunerated with attractive packages and benefits commensurate with individual merits, experience and qualifications. We believe that cultivating an inclusive work environment enhances employees' sense of belonging and promotes more effective communication. To help our workforce unleash their full potential, we have tailored our training programmes to cater to the needs of employees from different departments and at various career stages. During the reporting period, approximately 18,600 training hours were completed, with each employee receiving an average of 19.3 hours of training.

Specific to the public health crisis, we have stepped up disinfecting measures to reduce transmission risk on our premises and provided staff with essential personal protective supplies such as medical masks and hand sanitisers.

Engaging Our Customers and Suppliers

The Group places utmost importance on the quality of our products and customer service. Stringent mechanisms and procedures are in place to monitor performance and deliver our promise of a high level of quality. We ensure all contractors possess the ISO 9000 quality management system certification. For projects which will be assessed under BEAM Plus, a qualified BEAM coordinator/consultant is appointed. Projects in Mainland China are managed by our Standard Operating Procedures ("SOPs") which include provisions for inspection to ensure full compliance with all relevant laws and regulations. In addition, customers' concerns and feedback are addressed in a timely and consistent manner through standardised complaint-handling procedures.

To encourage corporate responsibility along our supply chain, we set our designated SOPs which communicate our expectations on quality, health and safety requirements and regulatory compliance. Suppliers are expected to acknowledge their understanding of and adherence to these SOPs. Our

Environmental, Social and Governance Policies

holistic management approach also stresses quality control measures and regular audits to ensure ESG-related risks arising from the supply chain are appropriately managed.

Response to COVID-19

Acting swiftly since the initial period of the COVID-19 outbreak, the Group has remained committed to contributing positively to the society. KWIH donated HK\$3.7 million through our “KWIH Anti-Epidemic Fund” to help Tung Wah Group of Hospitals (“TWGHs”) set up a medical mask production cleanroom which can produce medical masks at ASTM Level 1, 2, and 3. This helps to secure a reliable source of face masks for TWGH’s operating units without heightening the demand in the market.



Dr Lui Che-woo, Chairman of KWIH (right) and Ginny Man, 2020/2021 Chairman of TWGHs (left)



Alexander Lui, Executive Director (centre) and Oliver Lam, Chief Financial Officer of KWIH (right), attending the Plaque Unveiling Ceremony for the TWGHs Medical Mask Production Cleanroom.

In addition, KWIH joined hands with TWGHs to donate 140,000 medical masks produced by the cleanroom to vulnerable members of the community through seven medical and social welfare organisations.

To minimise the spread of COVID-19 and to put the community at ease, KWIH worked with the World Green Organisation to arrange free professional sanitisation services for over 120 solitary elderly households in Wong Tai Sin, Tsuen Wan and So Uk Estate.

COMPLIANCE STATUS WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE BUSINESS

During the reporting year, there were no reported cases of non-compliance with relevant laws and regulations in Hong Kong and Mainland China with regard to the environment, labour standards, occupational health and safety, anti-corruption or data privacy.



KWIH proactively supported pandemic control and preventive measures in Guangdong and Shanghai.



The KWIH voluntary team spoke with the elderly to explain the sanitisation process and provided support during these trying times.

Investor Relations



KWIH strives to uphold a high degree of transparency through effective two-way communications with its shareholders, investors and stakeholders. As a constituent stock in 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 adheres to the highest standard of integrity and accountability. The Group provides accurate, clear and comprehensible corporate information fairly in a timely manner.

Effective stakeholder engagement is one of the vital parts of KWIH's governance concept. The Group discloses corporate information in compliance with relevant laws and policies as prescribed by the regulatory authorities. Apart from the disclosure of regular press releases, result announcements, circulars and other publications, KWIH has been dedicated to exploring diversified communication means to disclose its corporate information. During the reporting period, "News to

Investors" page was added under Investor Relations section on the Group's official website so that investors from around the world can access company updates, developments and business strategies to facilitate investment decisions, while deepening their understanding of the Group.

Nevertheless, in light of the pandemic and the social distancing measures, certain investor relations activities including large-scale conferences and overseas roadshows were cancelled during the year under review. KWIH strived to maintain its consistent efforts by adopting video or telephone conferences to ensure frequent communications. The opinions collected during the exchange were all reported to KWIH's management and directors in order to maximize the value of the company.

In 2020, KWIH's efforts in upholding the highest standard of corporate governance and stakeholder engagement were recognized by the market, receiving an array of awards and certifications from international institutions.





SOLARIA
HONG KONG

THE PALACE III
SHANGHAI



Corporate Governance Report

As at 23 March 2021

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2020.

The objective of the management structure within the Group — headed by our Board and led by the Chairman — is to deliver sustainable value to the shareholders of the Company ("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 8 Board members: the Chairman and Managing Director, 3 other executive Directors ("EDs"), 1 NED and 3 INEDs; with one of the INEDs has accounting professional qualification. 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.

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Board Practices In 2020, the Board held 5 Board meetings (including 4 regular Board meetings and 1 ad hoc Board meeting). The regular Board meetings were held at approximately quarterly intervals and the dates of which had been scheduled at the beginning of the year. Notice of at least 14 days in advance was given for convening a regular Board meeting. The Directors actively participated in person, by phone or through other means of electronic communication in accordance with the Bye-laws of the Company at each Board meeting to consider and, if appropriate, approve the annual budget, if applicable, 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 2020. 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. 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 2020 is as follows:

Name of Directors	Meetings attended/Eligible to attend				
	Board Meeting (5)	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	4/5*	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	4/5*	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah ⁴	5/5*	N/A	N/A	N/A	1/1
Non-executive Director					
Moses Cheng Mo Chi	4/5*	1/2	N/A	N/A	1/1
Independent Non-executive Directors					
William Yip Shue Lam	5/5	2/2	1/1	1/1	1/1
Au Man Chu ⁵	4/4	2/2	N/A	N/A	1/1
Wong Kwai Lam	5/5	N/A	1/1	1/1	1/1
Nip Yun Wing ⁶	5/5	2/2	N/A	N/A	1/1
Average attendance rate	82%	88%	100%	100%	89%

* Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Dr. Moses Cheng Mo Chi did not attend the ad hoc Board meeting held on 20 August 2020 for approving the continuing connected transactions ("Meeting"), whereas Mr. Alexander Lui Yiu Wah did not participate in the discussion on all the business matters at the Meeting and had abstained from voting at the Meeting.

1. Dr. Lui Che-woo is the father of Mr. Francis Lui Yiu Tung, Mrs. 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 Mrs. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.
3. Mrs. 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 Mrs. Paddy Tang Lui Wai Yu.
5. Mr. Au Man Chu had retired as an INED with effect from 25 August 2020.
6. Mr. Nip Yun Wing was appointed as a member of the Audit Committee with effect from 1 March 2020.

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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 2021 annual general meeting ("2021 AGM") of the Company, Dr. Moses Cheng Mo Chi (NED), Dr. William Yip Shue Lam and Mr. Wong Kwai Lam (both INEDs) will retire by rotation and, being eligible, offer themselves for re-election.

Pursuant to CP A.4.3 of the CG Code, any re-appointment of INEDs who served more than 9 years shall be subject to a separate resolution to be approved by the Shareholders.

Both Dr. William Yip Shue Lam and Mr. Wong Kwai Lam served the Company for more than 9 years and are due to retire at the 2021 AGM. During their years of appointment, each of Dr. William Yip Shue Lam and Mr. Wong Kwai Lam has expressed objective views and given independent guidance to the Company over the years. Notwithstanding their years of service as INEDs of the Company, the Board is of the view that each of Dr. William Yip Shue Lam and Mr. Wong Kwai Lam is able to continue to fulfill his role as required with in-depth understanding of the Company's operations and business and with the necessary knowledge and/or professional qualifications. Each of Dr. William Yip Shue Lam and Mr. Wong Kwai Lam has the required character, integrity and experience to continue fulfilling the role of INED and thus the Board recommends both of them for re-election at the 2021 AGM. Each of Dr. William Yip Shue Lam and Mr. Wong Kwai Lam had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that both Dr. William Yip Shue Lam and Mr. Wong Kwai Lam remain independent, and there is no evidence that their tenure have had an impact on their independence.

Particulars of the said retiring Directors and the recommendation of the Board 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 3 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 “The political situation in Hong Kong after the 2020 Legislative Council election postponed for one year”; and
- (2) seminar on “Hong Kong’s opportunities and challenges amid the latest China-Hong Kong and international political and economic situation”.

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)	—
Francis Lui Yiu Tung	—	(1),(2)
Paddy Tang Lui Wai Yu	(1),(2)	—
Alexander Lui Yiu Wah	(1),(2)	—
Non-executive Director		
Moses Cheng Mo Chi	(2)	(1)
Independent Non-executive Directors		
William Yip Shue Lam	(1),(2)	—
Au Man Chu (retired on 25 August 2020)	(1)	—
Wong Kwai Lam	(1),(2)	—
Nip Yun Wing	(1),(2)	—

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 2020. 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 Report

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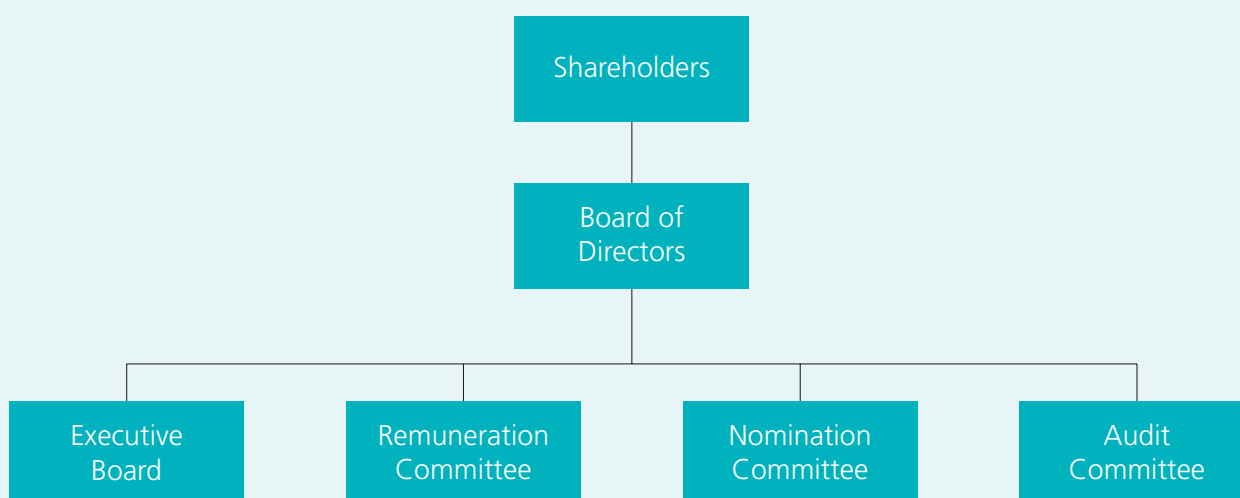
Corporate Governance Functions A policy for the Corporate Governance Policy including all the required terms of reference stated in CP D.3.1 of the CG Code was adopted by the Board on 22 March 2012 and is subject to review annually. The Board is primarily responsible for determining the policy for the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

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

During the year under review, the Board reviewed the Policy for Nomination of Directors ("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 being circulated 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 21 January 2020, reviewed and approved the 2019 year-end bonus paid to the EDs;
- 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;
- on 29 January 2021, reviewed and approved the 2020 year-end bonus paid to the EDs; and
- on 16 March 2021, reviewed the level of Directors’ fees for 2020 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2021.

The Remuneration Committee’s proposals on the EDs’ remuneration packages and the Directors’ fees for 2020 have been endorsed by the Board, and the proposed Directors’ fees will be recommended for Shareholders’ approval at the 2021 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 2020 are set out in notes 12(a) and 13 to the audited consolidated financial statements of the Group for the year ended 31 December 2020 (“2020 Financial Statements”) respectively.

Corporate Governance Report

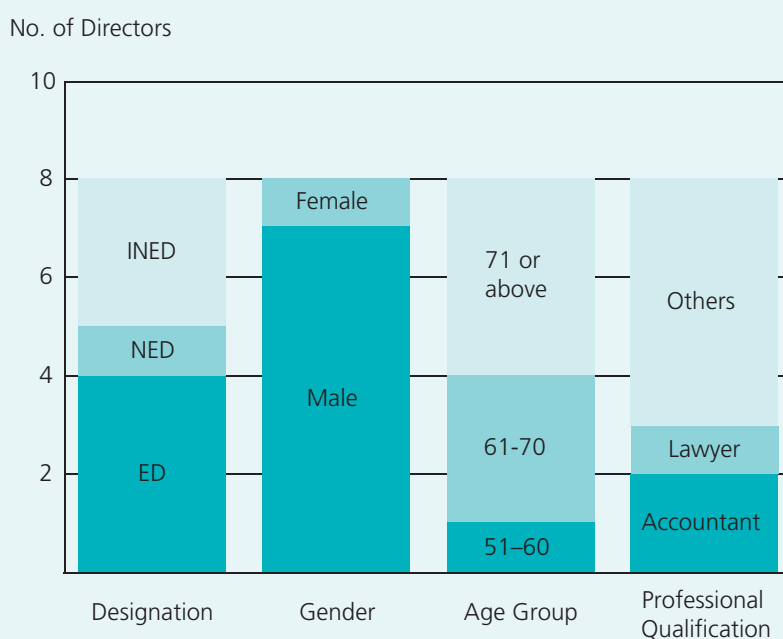
As at 23 March 2021

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.

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 2020, the Nomination Committee met once in March 2020 with all members attended. At its meeting held on 16 March 2021, 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 2021 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 23 March 2021 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 2 INEDs (Dr. William Yip Shue Lam 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 2020, the Audit Committee met twice in March 2020 for reviewing the Group's 2019 annual results and financial statements and in August 2020 for reviewing the Group's 2020 interim results and financial statements. At its meeting on 16 March 2021, the Audit Committee reviewed the Group's annual results and financial statements for 2020, 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 2021 AGM. An analysis of the fees for 2020 paid to external auditor appears in note 10 to the 2020 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

Corporate Governance Report

As at 23 March 2021

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.

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 2020 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/issues press release (where appropriate) 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 2020 annual general meeting ("2020 AGM") were passed by way of poll in compliance with the Rule 13.39(4) of the Listing Rules. The Chairman of the 2020 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 2020 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 2020 AGM to Shareholders more than 20 clear business days before the 2020 AGM. The Chairman of the 2021 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2021 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.

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As at 23 March 2021

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 2020, 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.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company has complied with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2020 with details are set out in a separate Environmental, Social and Governance Report to be published on the websites of the Company at (<http://www.kwih.com>) and of HKEx at (<http://www.hkexnews.hk>) respectively in late April 2021.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 91, 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 (1981–1982). 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 the 8th Committee of Hong Kong – Shanghai Economic Development Association. Dr. Lui was appointed as a member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) from 2007 to 2019. 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 1996, 2001, 2006, 2011 and 2016. In 1995, an asteroid discovered by the Purple Mountain Observatory of the Chinese Academy of Sciences 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 also the Founder and Chairman of the Board of Governors cum Prize Council of the Lui Che Woo Prize – Prize for World Civilisation which established in Hong Kong in 2015 for promoting world civilization through sustainable development of the world, betterment of the welfare of mankind and promotion of positive life attitude and enhancement of positive energy. In addition, 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, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.

Mr. Francis Lui Yiu Tung, aged 65, 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 Chief Executive 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 21st 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 2020, Mr. Lui was honored as the most influential person in Asia's gaming industry at the Asian Gaming Power 50 Gala Dinner for the second consecutive year. Furthermore, Mr. Lui is the Honorary Citizen of each of Guangzhou City, Shenzhen City and Jiangmen City. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Mrs. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.

Biographical Information of Directors

Mrs. Paddy Tang Lui Wai Yu, BBS, JP, aged 67, 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. Mrs. 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. Mrs. 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. Mrs. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Mrs. 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 58, 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 was appointed as the managing vice-chairman of the 1st Board of Directors of Hong Kong Guangdong Youth Association. In October 2019, Mr. Lui has been re-appointed as the managing vice-chairman of the 2nd Board of Directors of Hong Kong Guangdong Youth Association. He is the honorary vice president of Hong Kong Guangdong Community Organisations and was appointed as the vice president 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 Mrs. Paddy Tang Lui Wai Yu.

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*, aged 71, 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. 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 83, 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.

Biographical Information of Directors

Mr. Wong Kwai Lam, aged 71, 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 committees 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 May 2020, he has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of CK Hutchison Holdings Limited (a publicly-listed company on the Main Board of the HK Stock Exchange); and he served as a member of its nomination committee from May to November 2020. 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. Mr. Wong has also been appointed as the chairman and director of Hong Kong Grand Opera Company Limited in August 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 ceased as a director and the chairman of Opera 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 67, has been appointed as an independent non-executive Director of the Company since July 2019. He has been appointed as a member of the 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. He was 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. Mr. Nip ceased as an independent non-executive director, the chairman and a member of the audit committee and a member of the nomination committee of Shenzhen International Holdings Limited (Stock Code: 00152) with effect from 12 June 2020. 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 2020 (“2020 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 2020 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 2020, 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”, “Environmental, Social and Governance Policies”, “Investor Relations” 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 2020 Financial Statements on pages 69 to 138 of this annual report set out the results of the Group for the year ended 31 December 2020.

An interim cash dividend of HK\$0.07 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\$0.21 (2019: HK\$0.20 per Share). Details of dividends are set out in note 16 to the 2020 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 29 to the 2020 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 2020, calculated under Companies Act 1981 of Bermuda, amounted to HK\$1,367,327,000 (2019: HK\$1,013,191,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$7,550,000 (2019: HK\$2,354,000).

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2020 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, Mrs. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, Dr. Moses Cheng Mo Chi, Dr. William Yip Shue Lam, Mr. Au Man Chu (retired on 25 August 2020), Mr. Wong Kwai Lam and Mr. Nip Yun Wing.

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, Dr. Moses Cheng Mo Chi, Dr. William Yip Shue Lam and Mr. Wong Kwai Lam will retire by rotation at the forthcoming 2021 annual general meeting of the Company ("2021 AGM") and, being eligible, offer themselves for re-election at the 2021 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 2021 AGM, the following fees in respect of year ended 31 December 2020 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 2020 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 2020 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As of 31 December 2020, 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)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	31,005,941	8,317,120 ⁽¹⁾	334,612,213 ⁽²⁾	1,650,678,769 ⁽³⁾	2,024,614,043	64.75
Francis Lui Yiu Tung	11,138,035	–	–	1,650,678,769 ⁽³⁾	1,661,816,804	53.14
Paddy Tang Lui Wai Yu	27,957,605	–	210,000 ⁽⁴⁾	1,650,678,769 ⁽³⁾	1,678,846,374	53.69
Alexander Lui Yiu Wah	20,151,428	–	4,005,183 ⁽⁵⁾	1,650,678,769 ⁽³⁾	1,674,835,380	53.56
Moses Cheng Mo Chi	849,175	–	–	–	849,175	0.03
William Yip Shue Lam	1,052,726	–	–	–	1,052,726	0.03
Wong Kwai Lam	1,040,000	–	–	–	1,040,000	0.03
Nip Yun Wing	160,000	–	–	–	160,000	0.01

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, Mrs. 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 Mrs. Paddy Tang Lui Wai Yu.
- (5) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

(B) Underlying Shares – Share Options

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

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. 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 2020, 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 2020, 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	1,651,920,737	52.83
CWL Assets (PTC) Limited	Trustee	1,650,678,769	52.79
Super Focus Company Limited	Beneficial owner	1,120,247,673	35.83
Star II Limited	Interest of controlled corporation	264,752,460	8.47
Favor Right Investments Limited	Beneficial owner	211,594,444	6.77
Lui Che Woo Foundation Limited	Beneficial owner	206,285,639	6.60
Premium Capital Profits Limited	Beneficial owner	184,229,079	5.89

Note:

(1) HSBC International Trustee Limited is the trustee of a trust established by Dr. Lui Che-woo as the settlor, was interested in 1,650,678,769 Shares of the Company.

There was duplication of interests of 1,650,678,769 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. 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, 54,084,192 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 2020 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 69,678,000 and 158,889,221 respectively, which represented approximately 2.23% and 5.08% 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. However, approval will be sought from the Shareholders at the 2021 AGM for the adoption of a new share option scheme and the termination of the Share Option Scheme (to the effect that no further options shall be offered but the options which had been granted during the life of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all aspects) with effect from the conclusion of the 2021 AGM. Details are set out in the circular to the Shareholders accompanying this annual report.

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 2020, were as follows:

Holders	Date of grant	Number of options				Held at 31 December 2020	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2020	Granted during the year ^(a)	Exercised during the year	Lapsed during the year			
Lui Che-woo	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
	15 Jul 2020	–	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Francis Lui Yiu Tung	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
	15 Jul 2020	–	1,300,000	–	–	1,300,000	3.462	15 Jul 2021–14 Jul 2026
Paddy Tang Lui Wai Yu	30 Sep 2014	2,700,000	–	–	2,700,000	–	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	–	1,800,000 ^(b)	–	1,000,000	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
	15 Jul 2020	–	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Alexander Lui Yiu Wah	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
	15 Jul 2020	–	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Moses Cheng Mo Chi	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
	15 Jul 2020	–	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
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
	15 Jul 2020	–	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Wong Kwai Lam	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
	15 Jul 2020	–	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Nip Yun Wing	15 Jul 2020	–	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Employees ^(c) (in aggregate)	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	5,910,000	–	–	260,000	5,650,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	7,796,000	–	–	388,000	7,408,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	–	14,010,000	–	80,000	13,930,000	3.462	15 Jul 2021–14 Jul 2026
Consultants (in aggregate)	30 Sep 2014	440,000	–	–	440,000	–	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	780,000	–	–	350,000	430,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	550,000	–	–	–	550,000	4.520	18 Jul 2019–17 Jul 2024
Other ^(d)	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
	15 Jul 2020	–	160,000	–	160,000 ^(e)	–	3.462	15 Jul 2021–14 Jul 2026

Report of the Directors

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the year was HK\$3.380 per share.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.220 per share.
- (c) Employees include associates of Directors and the movement 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 2020	Granted during the year ^(a)	Exercised during the year	Lapsed during the year	Held at 31 December 2020	Exercise price per Share (HK\$)	Exercise period
Tang Eugene Justin	30 Sep 2014	50,000	-	-	50,000	-	4.500	30 Sep 2015-29 Sep 2020
Yue 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
	15 Jul 2020	-	300,000	-	-	300,000	3.462	15 Jul 2021-14 Jul 2026

- (d) Following the retirement of Mr. Au Man Chu as an independent non-executive Director of the Company on 25 August 2020, all outstanding options granted to him were re-categorized from "Director" to "Other" during the year.
- (e) Upon the retirement of Mr. Au Man Chu as an independent non-executive Director of the Company on 25 August 2020, the unvested options were lapsed immediately.

No option was 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 benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2020, the Company had the following continuing connected transaction, details of which are set out below:

On 23 August 2017, the Company and Polymate Co., Ltd. ("Polymate") (a wholly-owned subsidiary of a substantial shareholder of the Company which 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, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the discretionary beneficiaries) had entered into the master lease agreement ("2017 Master Lease Agreement"), pursuant to which the Group (as lessee or licensee) may renew or enter into new leases with the respective subsidiaries of Polymate ("Lessor Group") (as lessor or licensor) in respect of the leasing and/or licensing of certain properties and car-parking spaces beneficially owned by the Lessor Group ("Lessor Properties") for a term of 3-year period from 1 November 2017 to 31 October 2020 (both days inclusive). Based on the continuing administrative, operational, marketing, promotional and sales needs of the Group, following the expiry of the 2017 Master Lease Agreement, the Group may have to renew some of the existing leases under the 2017 Master Lease Agreement to satisfy the future business needs of the Group from time to time, as such, the Company and Polymate had entered into another master lease agreement on 20 August 2020 ("2020 Master Lease Agreement") whereas the Group as lessee or licensee and the Lessor Group as lessor or licensor in respect of the Lessor Properties for a term of 3-year period from 1 November 2020 to 31 October 2023 (both days inclusive). Pursuant to the 2017 Master Lease Agreement and 2020 Master Lease Agreement, the amount of annual rent payable by the Group to the Lessor Group is subject to the annual caps ("Annual Caps") fixed for each corresponding financial year as disclosed in the announcements of the Company dated 23 August 2017 and 20 August 2020 ("Announcements") respectively. For the year ended 31 December 2020, the aggregate annual rent of HK\$14,689,000 was paid and payable by the Group under the 2017 Master Lease Agreement and 2020 Master Lease Agreement, which is within the Annual Caps.

The entering into of the 2017 Master Lease Agreement and 2020 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 terms; 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 2020 disclosed in note 41 to the 2020 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, Mrs. 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 half of the 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 2020, 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	2,185,984	555,643
Current assets	85,711,706	22,177,350
Current liabilities	(13,408,041)	(3,755,140)
	74,489,649	18,977,853
Share capital	2,521,215	936,383
Reserves	2,883,582	703,717
Amounts due to shareholders	47,355,678	11,994,893
Non-current liabilities	21,729,174	5,342,860
	74,489,649	18,977,853

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 2020 Financial Statements, is shown on pages 6 to 7 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020:

- (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	47%
Five largest suppliers	72%

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

MANAGEMENT CONTRACTS

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

AUDITOR

The 2020 Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2021 AGM.

On behalf of the Board

Lui Che-woo

Chairman and Managing Director

Hong Kong, 23 March 2021

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 2020;
- 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 2020, 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) and 18 (Notes to the consolidated financial statements).

The Group had investment properties of HK\$15,654,409,000 as at 31 December 2020 of which fair value changes were recognised and presented as “change in fair value of investment properties” 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 completed investment properties was arrived at using the income capitalisation method by considering the capitalised income derived from existing tenancies and the reversionary potential, including capitalisation rates and prevailing market rents, of the properties, and whenever appropriate, the direct comparison approach by reference to market evidence of recent market transaction prices of comparable properties. For investment properties under development, the valuation was arrived at using residual method by considering the estimated development costs and developer’s profit.

There is inherent estimation uncertainty in determining a property’s valuation, as the valuers make assumptions, judgements and estimates in the key areas.

How our audit addressed the Key Audit Matter

We understood management’s controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining assumptions to be applied.

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 and lease terms from existing tenancies, estimated development costs and developer’s profit by agreeing them to the underlying agreements with the tenants, the construction cost schedules and approved budgets 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, leasing transactions of comparable properties and recent market transaction prices of properties with comparable conditions and locations for prevailing market rents and approved budgets for estimated development costs and developer’s profit, where appropriate. We also involved our in-house valuation experts in the assessment of the valuation of selected investment properties.

We evaluated the appropriateness on related disclosures made in the consolidated financial statement.

Based on the audit procedures performed, we found that the estimates used in valuation of investment properties were supportable in light of available evidence.

KEY AUDIT MATTERS (cont'd)

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 2020 was HK\$26,758,389,000. 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.

There is inherent estimation uncertainty in determining the net realisable value, as management makes assumptions, judgements and estimates in the key areas, 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.

How our audit addressed the Key Audit Matter

We understood management's controls and processes for determining the net realisable value of the development properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining assumptions to be applied.

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, to 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.

We evaluated the appropriateness on related disclosures made in the consolidated financial statement.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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, 23 March 2021

Consolidated Profit and Loss Statement

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	7	11,732,483	10,651,931
Cost of sales		(5,739,266)	(5,047,714)
Gross profit		5,993,217	5,604,217
Other operating income		337,824	372,657
Other net (losses)/gains		(35,051)	18,273
Change in fair value of investment properties		(310,009)	35,147
Fair value gain on transfer of development properties to investment properties	8	—	3,188
Other operating expenses		(628,984)	(477,181)
Administrative expenses		(525,717)	(507,978)
Finance costs	9	(31,583)	(10,958)
Share of profits of joint ventures		67,634	231,712
Share of (losses)/profits of associated companies		(7,007)	30,323
Profit before taxation	10	4,860,324	5,299,400
Taxation charge	14	(1,564,805)	(2,063,286)
Profit for the year		3,295,519	3,236,114
Attributable to:			
Equity holders of the Company		3,268,439	3,149,738
Non-controlling interests		27,080	86,376
		3,295,519	3,236,114
Earnings per share	15	HK cents	HK cents
Basic		104.55	100.79
Diluted		104.50	100.67

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	3,295,519	3,236,114
Other comprehensive income:		
<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	463,080	1,234,878
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	1,682,583	(553,386)
Other comprehensive income for the year	2,145,663	681,492
Total comprehensive income for the year	5,441,182	3,917,606
Total comprehensive income attributable to:		
Equity holders of the Company	5,336,562	3,861,769
Non-controlling interests	104,620	55,837
	5,441,182	3,917,606

Consolidated Balance Sheet

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	372,123	377,281
Investment properties	18	15,654,409	15,140,988
Right-of-use assets	19	19,989	22,486
Joint ventures	20	10,412,941	10,615,223
Associated companies	21	3,098,300	2,192,007
Financial assets at fair value through other comprehensive income	22	9,789,664	9,326,584
Derivative financial instruments	34	—	4,334
Deferred taxation assets	35	178,646	119,465
Other non-current assets	23	1,126,760	583,312
		40,652,832	38,381,680
Current assets			
Development properties	24	26,758,389	28,269,442
Inventories		2,201	1,658
Amount due from a joint venture	20	123,752	157,817
Amounts due from associated companies	21	—	15,707
Debtors and prepayments	25	601,721	575,445
Land and tender deposits	26	3,459,007	50,000
Derivative financial instruments	34	3,971	—
Financial assets at fair value through profit or loss	27	1,971,876	1,312,704
Taxes recoverable		506,839	351,508
Cash and bank deposits	28	7,673,477	5,443,079
		41,101,233	36,177,360
Total assets		81,754,065	74,559,040
EQUITY			
Share capital	29	312,697	312,517
Reserves	31	43,264,074	38,573,520
Shareholders' funds		43,576,771	38,886,037
Non-controlling interests		1,248,191	1,231,899
Total equity		44,824,962	40,117,936

Consolidated Balance Sheet

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	19,525,695	15,170,602
Guaranteed notes	33	—	1,001,208
Derivative financial instruments	34	97,837	—
Lease liabilities	19	3,912	7,033
Deferred taxation liabilities	35	2,724,238	2,526,798
		22,351,682	18,705,641
Current liabilities			
Amounts due to joint ventures	20	650,102	1,260,655
Amounts due to associated companies	21	143,715	80,099
Creditors, accruals and other liabilities	36	1,558,864	1,412,838
Pre-sales deposits	37	3,756,539	5,944,004
Current portion of borrowings	32	4,513,818	4,269,151
Guaranteed notes	33	1,002,354	—
Taxes payable		2,952,029	2,768,716
		14,577,421	15,735,463
Total liabilities		36,929,103	34,441,104
Total equity and liabilities		81,754,065	74,559,040
Net current assets		26,523,812	20,441,897
Total assets less current liabilities		67,176,644	58,823,577

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash generated from operations	38(a)	1,818,822	5,205,825
Tax paid		(1,704,909)	(1,260,778)
Interest paid		(301,119)	(525,213)
Net cash (used in)/generated from operating activities		(187,206)	3,419,834
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,645)	(4,541)
Purchases of investment property		(35,445)	(292,158)
Increase in investments in joint ventures and advances to joint ventures		(1,267,824)	(4,942,754)
Repayments from joint ventures		161,445	547,677
Increase in investment in an associated company and advances to associated companies		(1,517,000)	(1,928,432)
Repayments from associated companies		682,976	204,362
Increase in financial assets at fair value through profit or loss		(512,692)	(796,489)
Net settlement (losses)/gains on derivative financial instruments		(14,103)	1,395
Decrease/(increase) in bank deposits		62,934	(1,375)
Proceeds from disposal of property, plant and equipment		344	321
Interest received		96,839	107,000
Dividends received from joint ventures		829,681	297,500
Dividends received from associated companies		—	362,000
Dividend income from financial assets at fair value through other comprehensive income		73,118	147,860
Net cash used in investing activities		(1,446,372)	(6,297,634)
Cash flows from financing activities			
Issue of new shares		5,033	1,482
Proceeds from borrowings	38(b)	13,381,164	8,753,896
Repayments of borrowings	38(b)	(8,976,283)	(7,053,702)
Principal elements of lease liabilities		(3,727)	(3,628)
Repayment of capital to non-controlling interests		(47,280)	(144,800)
Dividends paid to non-controlling interests		(41,048)	(40,370)
Dividends paid to shareholders		(656,524)	(625,035)
Net cash from financing activities		3,661,335	887,843
Net increase/(decrease) in cash and cash equivalents		2,027,757	(1,989,957)
Cash and cash equivalents at beginning of year		5,380,609	7,426,074
Changes in exchange rates		265,111	(55,508)
Cash and cash equivalents at end of year		7,673,477	5,380,609

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2020	312,517	9,694,346	28,879,174	38,886,037	1,231,899	40,117,936
Comprehensive income						
Profit for the year	—	—	3,268,439	3,268,439	27,080	3,295,519
Other comprehensive income						
Other comprehensive income for the year	—	2,068,123	—	2,068,123	77,540	2,145,663
Transactions with equity holders						
Fair value of share options	—	5,663	—	5,663	—	5,663
Issue of shares upon exercise of share options	180	4,853	—	5,033	—	5,033
Lapse of share options	—	(16,191)	16,191	—	—	—
Repayment of capital to non-controlling interests	—	—	—	—	(47,280)	(47,280)
Dividends	—	—	(656,524)	(656,524)	(41,048)	(697,572)
At 31 December 2020	312,697	11,756,794	31,507,280	43,576,771	1,248,191	44,824,962
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

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong 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 23 March 2021.

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 existing and potential impacts arising from the global COVID-19 pandemic have been considered in the preparation of the consolidated financial statements. The Group has based its assumptions and estimates on circumstances and conditions available when the consolidated financial statements were prepared. Given the uncertainty of macro conditions, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

The accounting policies and methods of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2019, except as stated below.

2 BASIS OF PREPARATION (cont'd)

The adoption of amendments to standards and framework

In 2020, the Group adopted the following amendments to standards and framework, which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above amendments to standards and framework did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

New standard, amendments and improvements to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

The Group will adopt the above new standard, amendments and improvements 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, amendments and improvements 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.

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. 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. 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

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. The fair value of investment property also reflects the market values of comparable properties which have been recently transacted, adjusted for any qualitative differences that may affect the price such as location, floor area, quality and the finishes of the building and other related factors.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- Estimated construction costs
- The stage of completion
- Types of properties
- The level of reliability of cash inflow after completion
- The development risk specific to the property
- Past experience with similar constructions

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 (completed or under construction) 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.

3.11 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Leases (cont'd)

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.

3.20 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Current and deferred taxation (cont'd)

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

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

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

3.21 Employee benefits

(a) *Employee entitlements, benefits and bonuses*

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Employee benefits (cont'd)

(b) *Share-based compensation*

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

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

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and is shown, net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

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.

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.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition (cont'd)

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Foreign currencies (cont'd)

(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.

3.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit and loss statement over the period necessary to match them with the costs that they are intended to compensate.

3.26 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.26 Financial guarantees (cont'd)

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.

3.27 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

(a) 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.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(a) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

At 31 December 2020 if Hong Kong dollar had strengthened or weakened by 3% (2019: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been lower or higher by approximately HK\$0.4 million (2019: HK\$17 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, amounts due from joint ventures/associated companies, 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 2020, if interest rates had been increased or decreased by 1% (2019: 1%) with all other variables held constant, the profit before taxation for the year (before capitalisation) would decrease or increase by approximately HK\$59 million (2019: HK\$99 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 2020, if the share price of the financial assets at fair value through other comprehensive income had been increased or decreased by 10% (2019: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$979 million (2019: HK\$933 million).

At 31 December 2020, if the trade price of the financial assets at fair value through profit or loss had been increased or decreased by 10% (2019: 10%) with all other variables held constant, the profit before taxation for the year would increase or decrease by approximately HK\$197 million (2019: HK\$131 million).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(b) 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 77% (2019: 90%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 23% (2019: 10%) 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.

(c) 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 2020, the Group's total undrawn facilities amounted to approximately HK\$12.1 billion (2019: HK\$16.0 billion).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(c) 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 2020					
Borrowings	5,815,914	6,015,054	13,466,254	514,913	25,812,135
Guaranteed notes	1,023,102	—	—	—	1,023,102
Lease liabilities	3,574	3,912	—	—	7,486
Trade creditors	959,393	—	—	—	959,393
Other creditors and accruals	348,495	—	—	—	348,495
Amounts due to joint ventures	650,102	—	—	—	650,102
Amounts due to associated companies	143,715	—	—	—	143,715
Amounts due to non-controlling interests	19,713	—	—	—	19,713
Total	8,964,008	6,018,966	13,466,254	514,913	28,964,141
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

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 2020 and 2019. Floating-rate interest is estimated using the current interest rate as at 31 December 2020 and 2019 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:

	2020 HK\$'000	2019 HK\$'000
Total borrowings	25,041,867	20,440,961
Less: Cash and bank deposits	(7,673,477)	(5,443,079)
Net borrowings	17,368,390	14,997,882
Total equity	44,824,962	40,117,936
Gearing ratio	39%	37%

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 27) and derivative financial instruments (note 34).

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

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

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;
- (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; and
- (iv) estimated development costs and developer's profit.

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, actual transactions by the Group and those reported by the market and actual or estimated development costs. 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) Fair value of certain financial assets and derivative financial instruments

The fair value of financial assets and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Significant management judgement and assumption was needed in the assessment of the fair value of the investments as detailed in note 4.3.

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 losses/gains, change in fair value of investment properties and fair value gain on transfer of development properties to investment properties. 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.

6 SEGMENT INFORMATION (cont'd)

Segment assets represent total assets excluding joint ventures and 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
Year ended 31 December 2020				
Revenue from contracts with customers:				
— Recognised at a point in time	8,109,785	2,992,105	—	11,101,890
— Recognised over time	—	—	—	70,366
Revenue from other sources:				
— Rental income	—	—	560,227	560,227
Revenue	8,109,785	2,992,105	560,227	11,732,483
Adjusted EBITDA	3,699,672	1,608,518	440,473	(250,926)
Other income and expenses/losses, net				(326,211)
Depreciation and amortisation				(30,237)
Change in fair value of investment properties			(310,009)	(310,009)
Finance costs				(31,583)
Share of profits of joint ventures	34,582	33,052		67,634
Share of losses of associated companies	(3,091)	(3,916)		(7,007)
Profit before taxation				4,860,324
Taxation charge				(1,564,805)
Profit for the year				3,295,519
As at 31 December 2020				
Segment assets	14,256,743	27,421,051	16,211,050	—
Other assets	—	—	—	10,230,228
Joint ventures	9,468,521	1,068,172	—	—
Associated companies	3,098,300	—	—	—
Total assets	26,823,564	28,489,223	16,211,050	10,230,228
Total liabilities	16,389,529	16,998,310	3,391,612	149,652

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)
Change in fair value of investment properties			35,147		35,147
Fair value gain on transfer of development properties to investment properties			3,188		3,188
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
Year ended 31 December 2020					
Additions to non-current assets	1,813	3,533	35,456	1,288	42,090
Year ended 31 December 2019					
Additions to non-current assets	—	16,002	292,278	1,887	310,167

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in two (2019: two) main geographical areas: Hong Kong and Mainland China. The revenue for the years ended 31 December 2020 and 2019 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 2020 and 2019 by geographical area are as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue		
Hong Kong	8,173,931	3,442,503
Mainland China	3,558,552	7,209,428
	11,732,483	10,651,931

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Hong Kong	2,719,619	2,916,034
Mainland China	13,326,717	12,624,526
Other	185	195
	16,046,521	15,540,755

7 REVENUE

	2020 HK\$'000	2019 HK\$'000
Sale of properties	11,101,890	9,957,395
Rental income	560,227	582,111
Hotel operations	70,366	112,425
	11,732,483	10,651,931

8 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 2019.

9 FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	344,409	563,117
Lease liabilities	502	652
	344,911	563,769
Capitalised as cost of properties under development	(313,328)	(552,811)
	31,583	10,958

The capitalisation rates used to determine the amounts of borrowing costs eligible for the development of properties are from 1% to 5% per annum (2019: 2% to 5% per annum).

10 PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	89,483	104,868
Interest income from mortgage loans and others	23,477	23,271
Dividend income from financial assets at fair value through other comprehensive income	73,118	147,860
Net gains on settlement of derivative financial instruments	—	1,395
Net fair value gains on derivative financial instruments	—	4,334
Net fair value gains on financial assets at fair value through profit or loss	31,179	28,723
Net exchange gains	46,189	—
and after charging:		
Cost of properties sold	5,625,283	4,909,746
Cost of inventories consumed/sold	12,201	19,677
Selling and marketing expenses	491,775	387,512
Depreciation for property, plant and equipment (net of amount capitalised under properties under development of HK\$542,000 (2019: HK\$394,000))	26,503	25,985
Depreciation for right-of-use assets	3,734	3,856
Auditors' remuneration to the auditor of the Company		
Audit services	5,100	4,930
Non-audit services	1,049	694
Loss on disposal of property, plant and equipment	116	340
Lease expenses	6,047	5,809
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	42,740	51,837
Direct operating expense of investment properties that did not generate rental income	6,502	6,922
Net losses on settlement of derivative financial instruments	14,103	—
Net fair value losses on derivative financial instruments	98,200	—
Net exchange losses	—	15,839

11 EMPLOYEE BENEFIT EXPENSES

	2020 HK\$'000	2019 HK\$'000
Staff costs including directors' emoluments	439,974	434,363
Pension costs — defined contribution plans	14,380	27,424
Share options granted to directors and employees	5,663	7,328
	460,017	469,115
Capitalised as cost of properties under development	(79,543)	(76,252)
	380,474	392,863

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

Employees in Mainland China participate in various 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\$775,000 (2019: HK\$786,000) were utilised, leaving HK\$271,000 (2019: HK\$67,000) 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	Estimated money value of other benefits (note iii)	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Estimated money value of other benefits (note iii)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2020							
Lui Che-woo	342	—	14,100	3,948	1,468	698	20,556
Francis Lui Yiu Tung	200	—	1,740	488	174	293	2,895
Paddy Tang Lui Wai Yu	200	—	7,686	2,415	768	698	11,767
Alexander Lui Yiu Wah	200	—	10,452	4,282	1,045	698	16,677
Robin Chan Yau Hing	85	—	—	—	—	—	85
William Yip Shue Lam	456	36	—	—	—	—	492
Moses Cheng Mo Chi	325	36	—	—	—	—	361
Au Man Chu (iv)	325	36	—	—	—	—	361
Wong Kwai Lam	300	36	—	—	—	—	336
Nip Yun Wing (v)	95	36	—	—	—	—	131
	2,528	180	33,978	11,133	3,455	2,387	53,661
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 (vi)	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

- (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 2020 were in relation to performance and services for 2019.
- (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) Retired as an independent non-executive Director and ceased as a member of the Audit Committee of the Company on 25 August 2020.
- (v) 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.
- (vi) Retired as an independent non-executive Director of the Company on 5 June 2019.

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 agreements dated 23 August 2017 and 20 August 2020, both made between the Company and Polymate Co., Ltd. ("Polymate"), an aggregated annual rent of HK\$14,689,000 for the year ended 31 December 2020 (2019: HK\$14,288,000) 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, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the discretionary 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 (2019: nil).

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2019: three) Directors. The emoluments of the five individuals are as follows:

	2020	2019
	HK\$'000	HK\$'000
Salaries and other emoluments	39,687	38,036
Pension cost — defined contribution plans	3,771	3,623
Discretionary bonuses	18,645	14,651
Share options granted	2,452	3,762
	64,555	60,072

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2020	2019
HK\$5,000,001 — HK\$5,500,000	—	1
HK\$7,000,001 — HK\$7,500,000	1	1
HK\$8,000,001 — HK\$8,500,000	1	—
HK\$11,500,001 — HK\$12,000,000	1	1
HK\$15,500,001 — HK\$16,000,000	—	1
HK\$16,500,001 — HK\$17,000,000	1	—
HK\$20,000,001 — HK\$20,500,000	—	1
HK\$20,500,001 — HK\$21,000,000	1	—
	5	5

14 TAXATION CHARGE

	2020 HK\$'000	2019 HK\$'000
Current		
Hong Kong profits tax	499,254	264,881
Mainland China		
— Income tax	434,992	613,316
— Land appreciation tax	629,109	1,074,364
Over-provision in previous years	(303)	(826)
Deferred (note 35)	1,753	111,551
	1,564,805	2,063,286

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated for the year in Mainland China has been provided at the rate of 25% (2019: 25%). 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:

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	4,860,324	5,299,400
Share of profits of joint ventures	(67,634)	(231,712)
Share of losses/(profits) of associated companies	7,007	(30,323)
	4,799,697	5,037,365
Tax calculated at applicable tax rates	959,865	1,152,938
Income not subject to taxation	(35,312)	(47,121)
Expenses not deductible for taxation purposes	105,922	69,615
Recognition and utilisation of previously unrecognised tax losses	(7,484)	(20,238)
Tax loss not recognised	30,004	39,842
Land appreciation tax deductible for calculation of income tax	(157,277)	(268,591)
Over-provision in previous years	(303)	(826)
	895,415	925,619
Withholding tax	40,281	63,303
Land appreciation tax	629,109	1,074,364
Taxation charge	1,564,805	2,063,286

15 EARNINGS PER SHARE

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

	2020	2019
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	3,268,439	3,149,738

	Number of shares	
	2020	2019
Weighted average number of shares for calculating basic earnings per share	3,126,191,282	3,125,041,282
Effect of dilutive potential ordinary shares — Share options	1,465,333	3,757,855
Weighted average number of shares for calculating diluted earnings per share	3,127,656,615	3,128,799,137

16 DIVIDENDS

	2020	2019
	HK\$'000	HK\$'000
Interim cash dividend of 7 HK cents (2019: 6 HK cents) per share	218,888	187,511
Proposed final cash dividend of 14 HK cents (2019: 14 HK cents) per share	437,776	437,636
	656,664	625,147

The Board of Directors recommended the payment of a final cash dividend in respect of 2020 of 14 HK cents (2019: 14 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021.

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 2019	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
Exchange differences	25,047	3,781	1,833	843	31,504
Additions	—	—	—	6,645	6,645
Disposals	—	—	—	(24,253)	(24,253)
At 31 December 2020	413,977	176,243	30,298	119,419	739,937
Accumulated depreciation					
At 1 January 2019	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
Exchange differences	10,803	1,082	1,635	2,282	15,802
Charge for the year	17,259	3,032	363	6,391	27,045
Disposals	—	—	—	(23,793)	(23,793)
At 31 December 2020	180,654	56,593	27,060	103,507	367,814
Net book value					
At 31 December 2020	233,323	119,650	3,238	15,912	372,123
At 31 December 2019	236,338	119,983	3,403	17,557	377,281

Land and buildings with carrying values of HK\$44,412,000 (2019: HK\$43,304,000) 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 2019	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
Exchange differences	—	768,449	19,536	787,985
Additions	—	—	35,445	35,445
Change in fair value	(196,100)	(90,834)	(23,075)	(310,009)
At 31 December 2020	2,640,400	12,689,627	324,382	15,654,409

- (a) Investment properties were valued at 31 December 2020 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\$7,714,104,000 (2019: HK\$7,309,065,000) 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 2020 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 values of completed properties are generally derived using the income capitalisation method or, where appropriate, by reference to direct comparison approach. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison approach is based on sales prices of comparable properties in close proximity and adjusted for differences in key attributes such as property location and quality.

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
2020				
Rental value (HK\$/sqm/month)	405 to 540	280 to 328	266 to 758	30 to 770
Capitalisation rate (%)	1.85 to 2.00	3.50 to 5.00	3.13 to 6.00	4.50 to 8.00
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

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 in Mainland China is derived using the residual method (2019: direct comparison approach). Residual method is essentially a mean of valuing the properties by reference to its development potential by deducting all known or anticipated development costs to completion together with the developer's profit and the risks associated with the completion from the estimated capital value of the development assuming completed as at the date of valuation.

Estimated costs to completion and developer's profit are estimated by valuers based on market conditions for investment properties under development in Mainland China. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

18 INVESTMENT PROPERTIES (cont'd)

(e) Valuation technique (cont'd)

Fair value measurements using significant unobservable inputs (cont'd)

There were no changes to the valuation techniques during the year, except for an investment property under development in the Mainland China, which the valuation technique has changed from direct comparison approach to residual method to reflect the highest and best use of the property.

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 and there was no transfer during the year.

(f) Sensitivity analysis

The outbreak of COVID-19 has increased the volatility to property markets in Hong Kong and Mainland China, resulting in increased uncertainty of the assumptions used in the valuations being achieved and materialised. Consequently, the ongoing development of COVID-19 may cause unexpected volatility in the future fair value of certain investment properties subsequent to 31 December 2020.

For the fair value of investment properties derived using the income capitalisation method, as at 31 December 2020, if the prevailing market rents and the capitalisation rates used had been 10% higher/lower respectively, with all other variables held constant, the carrying amount of investment properties would have been changed as follows:

	HK\$'000
Carrying amount of investment properties increased/(decreased) if:	
— rental values used were 10% higher	1,485,636
— rental values used were 10% lower	(1,256,224)
Carrying amount of investment properties increased/(decreased) if:	
— capitalisation rates used were 10% higher	(908,586)
— capitalisation rates used were 10% lower	1,259,241

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Right-of-use assets		
Leasehold land and land use rights	12,986	12,617
Office premises	7,003	9,869
	19,989	22,486
Lease liabilities		
Current	3,574	3,201
Non-current	3,912	7,033
	7,486	10,234

The depreciation of right-of-use assets for leasehold land and land use rights and office premises are HK\$420,000 (2019: HK\$508,000) and HK\$3,314,000 (2019: HK\$3,348,000) 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\$3,212,000 (2019: HK\$3,134,000) were pledged to secure the banking facilities of the Group.

20 JOINT VENTURES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	1,098,175	1,794,792
Amounts due from joint ventures	9,314,766	8,820,431
	10,412,941	10,615,223

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:

	2020 HK\$'000	2019 HK\$'000
Assets	18,653,344	18,945,167
Liabilities	(17,555,169)	(17,150,375)
Net assets	1,098,175	1,794,792
Revenue	701,691	985,123
Profit after taxation	67,634	231,712
Other comprehensive income/(loss)	19,674	(8,523)
Total comprehensive income	87,308	223,189
Dividends received from joint ventures	829,681	297,500

20 JOINT VENTURES (cont'd)

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\$5,769,414,000 (2019: HK\$2,571,145,000) 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 2020 and 31 December 2019.

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

21 ASSOCIATED COMPANIES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	541,925	549,326
Amounts due from associated companies	2,556,375	1,642,681
	3,098,300	2,192,007

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:

	2020 HK\$'000	2019 HK\$'000
Assets	4,079,649	2,522,222
Liabilities	(3,537,724)	(1,972,896)
Net assets	541,925	549,326
Revenue	19,752	77,382
(Loss)/profit after taxation	(7,007)	30,323
Other comprehensive (loss)/income	(1,352)	323
Total comprehensive (loss)/income	(8,359)	30,646
Dividends received from associated companies	—	362,000

21 ASSOCIATED COMPANIES (cont'd)

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\$969,865,000 (2019: HK\$32,951,000) 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 2020 and 31 December 2019.

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

	2020 HK\$'000	2019 HK\$'000
Listed equity securities, at fair value	9,789,664	9,326,584

The listed securities represent the Group's 3.74% (2019: 3.75%) 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

	2020 HK\$'000	2019 HK\$'000
Mortgage loans receivables	782,178	583,312
Development deposits	344,582	—
	1,126,760	583,312

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\$22,430,000 (2019: HK\$16,977,000) is included under other debtors. Mortgage loans receivables include first mortgage loans of HK\$108,441,000 (2019: HK\$57,789,000). The Group has not provided any impairment loss for its mortgage loans during the year (2019: nil).

24 DEVELOPMENT PROPERTIES

	Completed HK\$'000	Under development HK\$'000	2020 HK\$'000	Completed HK\$'000	Under development HK\$'000	2019 HK\$'000
Leasehold land and land use rights	2,517,696	15,562,366	18,080,062	1,837,575	18,254,405	20,091,980
Development costs	3,374,518	5,303,809	8,678,327	2,749,125	5,428,337	8,177,462
	5,892,214	20,866,175	26,758,389	4,586,700	23,682,742	28,269,442

Development properties with carrying values of HK\$14,241,124,000 (2019: HK\$11,148,769,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2020, development properties under development amounting to HK\$2,420,857,000 (2019: HK\$17,519,765,000) were not scheduled for completion within 12 months.

25 DEBTORS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade debtors	9,079	4,046
Other debtors	229,132	208,739
Prepayments and other deposits	101,935	47,281
Sales commissions	69,195	157,553
Sales taxes	192,380	157,826
	601,721	575,445

The debtors and prepayments are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	145,567	224,175
RMB	455,878	350,761
Others	276	509
	601,721	575,445

Trade debtors mainly comprise rental receivables. Rental from tenants is due and payable in advance.

25 DEBTORS AND PREPAYMENTS (cont'd)

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:

	2020 HK\$'000	2019 HK\$'000
Within one month	4,011	3,105
Two to three months	3,784	439
Four to six months	1,284	168
Over six months	—	334
	9,079	4,046

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:

	2020 HK\$'000	2019 HK\$'000
Current	4,011	3,105
Within three months past due	3,784	439
Over three months past due	1,284	502
	9,079	4,046

No provision for impairment for trade debtors was made as at 31 December 2020 (2019: nil).

As at 31 December 2020, other debtors included a loan receivable of HK\$87,880,000 (2019: HK\$82,563,000) 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 2020, no other debtors was impaired (2019: 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 2020, the prepaid amount recognised to profit or loss was HK\$152,099,000 (2019: HK\$29,325,000) and there was no impairment loss (2019: nil) 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 LAND AND TENDER DEPOSITS

Balance comprises a land bidding security deposit of HK\$2,800,000,000 for the new project in Hexi, Nanjing and tender deposits of HK\$659,007,000 (2019: tender deposits of HK\$50,000,000). The land bidding security deposit was fully refunded in January 2021.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

28 CASH AND BANK DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Cash at bank and in hand	5,491,537	1,671,583
Short-term and other bank deposits	2,181,940	3,709,026
Cash and cash equivalents	7,673,477	5,380,609
Short-term bank deposits maturing after three months	—	62,470
Cash and bank deposits	7,673,477	5,443,079

The cash and bank deposits include HK\$2,580,495,000 (2019: HK\$1,112,572,000) which have been pledged or assigned for specific purposes under certain conditions.

The effective interest rate on bank deposits is 0.16% (2019: 3.07%) per annum and these deposits have an average of 29 days (2019: 41 days).

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	2,879,793	2,133,060
RMB	4,785,580	3,301,114
Others	8,104	8,905
	7,673,477	5,443,079

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

	2020 HK\$'000	2019 HK\$'000
Credit rating:		
Aa	2,832,492	2,636,498
A	3,095,679	2,240,042
Baa	17,846	138,054
Others	1,727,460	428,485
	7,673,477	5,443,079

29 SHARE CAPITAL

	2020		2019	
	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	3,125,174,615	312,517	3,124,854,615	312,485
Share options exercised	1,800,000	180	320,000	32
At end of year	3,126,974,615	312,697	3,125,174,615	312,517

During the year, share options to subscribe for 1,800,000 (2019: 320,000) shares were exercised, of which HK\$180,000 (2019: HK\$32,000) and HK\$5,717,000 (2019: HK\$1,776,000) were credited to share capital and share premium respectively and HK\$864,000 (2019: HK\$326,000) was debited to share option reserve.

30 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to 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:

	2020		2019	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	4.2706	61,046,000	4.3333	74,966,000
Granted	3.4620	25,410,000	n/a	—
Exercised	2.7960	(1,800,000)	4.6300	(320,000)
Lapsed	4.4980	(14,898,000)	4.6079	(13,600,000)
At end of year	3.9660	69,758,000	4.2706	61,046,000
Vested at end of year	4.2500	44,588,000	4.2706	61,046,000

30 SHARE OPTION SCHEME (cont'd)

The weighted average share price at the date of exercise for share options exercised during the year was HK\$3.22 (2019: HK\$4.62) per share.

The options outstanding as at 31 December 2020 have exercise prices ranging from HK\$2.796 to HK\$4.76 (2019: HK\$2.796 to HK\$4.76) per share with weighted average remaining contractual life of 3.7 years (2019: 3.0 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	
		2020	2019
Directors			
30 September 2015 to 29 September 2020	4.500	—	10,040,000
21 January 2017 to 20 January 2022	2.796	8,220,000	10,020,000
17 July 2018 to 16 July 2023	4.760	10,480,000	10,640,000
18 July 2019 to 17 July 2024	4.520	10,780,000	10,940,000
15 July 2021 to 14 July 2026	3.462	11,240,000	—
Employees and others			
30 September 2015 to 29 September 2020	4.500	—	3,300,000
21 January 2017 to 20 January 2022	2.796	1,070,000	1,070,000
17 July 2018 to 16 July 2023	4.760	6,080,000	6,690,000
18 July 2019 to 17 July 2024	4.520	7,958,000	8,346,000
15 July 2021 to 14 July 2026	3.462	13,930,000	—
		69,758,000	61,046,000

The fair value of options granted during the year (2019: no share option granted), as determined by using the Black-Scholes valuation model, was HK\$0.45 per option. The significant inputs into the model were share price of HK\$3.38 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 4.6% and annual risk-free interest rate of 0.098%. The volatility is measured based on the historical share price movement of the Company in the relevant period matching expected time to exercise before the option grant date.

31 RESERVES

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption/ 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 2020	1,776,711	50,825	99,089	872	617	9,154,351	(1,388,119)	28,879,174	38,573,520
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	3,268,439	3,268,439
Other comprehensive income									
Exchange differences arising from translation	—	—	—	—	83	—	1,586,638	—	1,586,721
Translation differences for joint ventures and an associated company	—	—	—	—	—	—	18,322	—	18,322
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	463,080	—	—	463,080
Transactions with equity holders									
Fair value of share options	—	5,663	—	—	—	—	—	—	5,663
Exercise of share options	5,717	(864)	—	—	—	—	—	—	4,853
Lapse of share options	—	(16,191)	—	—	—	—	—	16,191	—
2019 final dividend	—	—	—	—	—	—	—	(437,636)	(437,636)
2020 interim dividend	—	—	—	—	—	—	—	(218,888)	(218,888)
At 31 December 2020	1,782,428	39,433	99,089	872	700	9,617,431	216,841	31,507,280	43,264,074
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

32 BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Long-term bank loans		
Secured	4,719,536	3,406,223
Unsecured	18,419,977	14,033,530
	23,139,513	17,439,753
Unsecured short-term bank loans	900,000	2,000,000
	24,039,513	19,439,753
Current portion included in current liabilities	(4,513,818)	(4,269,151)
	19,525,695	15,170,602

The bank loans are repayable within the following periods:

	2020 HK\$'000	2019 HK\$'000
Within one year	4,513,818	4,269,151
Between one to two years	5,789,388	4,962,380
Between two to five years	13,282,073	9,975,638
After five years	454,234	232,584
	24,039,513	19,439,753

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 2.1% (2019: 2.9%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	21,664,466	18,370,974
RMB	2,375,047	1,068,779
	24,039,513	19,439,753

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

33 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 will mature in 2021. The fair value of these guaranteed notes as at 31 December 2020 was HK\$1,011 million (2019: HK\$1,019 million).

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

34 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK\$'000	2019 HK\$'000
Current assets — Forward foreign exchange contract	3,971	—
Non-current assets — Interest rate swaps	—	4,334
Non-current liabilities — Interest rate swaps	97,837	—

The notional principal amount of the outstanding forward foreign exchange contract as at 31 December 2020 was RMB400 million (2019: nil).

The notional principal amounts of the outstanding interest rate swaps as at 31 December 2020 were HK\$2,900 million (2019: HK\$1,000 million).

35 DEFERRED TAXATION

	2020 HK\$'000	2019 HK\$'000
Deferred taxation assets	178,646	119,465
Deferred taxation liabilities	(2,724,238)	(2,526,798)
	(2,545,592)	(2,407,333)

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.

35 DEFERRED TAXATION (cont'd)

	Accelerated depreciation allowance HK\$'000	Fair value gains HK\$'000	Undistributed profits of subsidiaries HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2019	(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)
Exchange differences	(15,229)	(106,369)	(22,170)	7,262	(136,506)
(Charged)/credited to profit and loss statement	(15,334)	20,917	(26,029)	18,693	(1,753)
At 31 December 2020	(253,562)	(1,878,333)	(420,193)	6,496	(2,545,592)

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\$106,927,000 (2019: HK\$87,739,000) arising from unused tax losses of HK\$558,408,000 (2019: HK\$491,805,000) have not been recognised in the financial statements. Unused tax losses of HK\$384,584,000 (2019: HK\$414,380,000) have no expiry date and the remaining balances have various expiry dates up to and including 2025 (2019: up to and including 2024).

Deferred taxation liabilities of HK\$29,708,000 (2019: HK\$23,074,000) 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.

36 CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Trade creditors	959,393	886,047
Other creditors	98,119	79,059
Amounts due to non-controlling interests	19,713	19,417
Accrued operating expenses	250,376	218,637
Rental and other deposits received	227,689	206,477
Lease liabilities — current portion (note 19)	3,574	3,201
	1,558,864	1,412,838

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

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	531,306	428,293
RMB	1,027,146	984,273
Others	412	272
	1,558,864	1,412,838

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

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

	2020 HK\$'000	2019 HK\$'000
Within one month	954,411	880,468
Two to three months	2,153	2,414
Four to six months	30	224
Over six months	2,799	2,941
	959,393	886,047

37 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\$5,687,361,000 (2019: HK\$2,570,436,000) 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:

	2020 HK\$'000	2019 HK\$'000
Expected to be recognised within one year	8,961,000	8,474,000
Expected to be recognised after one year	682,000	1,345,000
	9,643,000	9,819,000

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	4,860,324	5,299,400
Share of profits of joint ventures	(67,634)	(231,712)
Share of losses/(profits) of associated companies	7,007	(30,323)
Finance costs	31,583	10,958
Change in fair value of investment properties	310,009	(35,147)
Fair value gain on transfer of development properties to investment properties	—	(3,188)
Depreciation of property, plant and equipment	26,503	25,985
Depreciation for right-of-use assets	3,734	3,856
Interest income	(89,483)	(108,278)
Loss on disposal of property, plant and equipment	116	340
Fair value of share options granted	5,663	7,328
Dividend income	(73,118)	(147,860)
Net settlement losses/(gains) on derivative financial instruments	14,103	(1,395)
Net fair value losses/(gains) on derivative financial instruments	98,200	(4,334)
Net fair value gains on financial assets at fair value through profit or loss	(31,179)	(28,723)
Operating profit before working capital changes	5,095,828	4,756,907
Decrease in development properties	2,769,758	1,031,899
Increase in land and tender deposits	(3,426,406)	(25,000)
Decrease/(increase) in debtors and prepayments	67,053	(23,432)
(Increase)/decrease in inventories	(543)	568
Increase in other non-current assets	(530,455)	(9,960)
Decrease in pre-sales deposits	(2,251,343)	(299,996)
Increase/(decrease) in creditors, accruals and other liabilities	94,930	(225,161)
Cash generated from operations	1,818,822	5,205,825

38 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	within 1 year HK\$'000	after 1 year HK\$'000	
At 1 January 2019	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
Exchange differences	(1,500)	144,141	—	—	142,641
Drawdowns	900,000	12,481,164	—	—	13,381,164
Repayments	(3,514,138)	(5,462,145)	—	—	(8,976,283)
Reclassifications	2,856,296	(2,856,296)	1,001,736	(1,001,736)	—
Other non-cash movements	4,009	48,229	618	528	53,384
At 31 December 2020	4,513,818	19,525,695	1,002,354	—	25,041,867

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

	2020 HK\$'000	2019 HK\$'000
Commitments in respect of		
Property investment	93,684	8,615
Property development		
— subsidiaries	6,428,611	3,802,355
— joint ventures and associated companies	2,152,296	616,251
	8,674,591	4,427,221

39 COMMITMENTS (cont'd)

(b) 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:

	2020 HK\$'000	2019 HK\$'000
Within one year	518,883	508,434
In the second year	334,246	330,544
In the third year	243,284	229,871
In the fourth year	120,387	128,231
In the fifth year	81,834	63,670
After five years	172,384	136,632
	1,471,018	1,397,382

40 GUARANTEES

As at 31 December 2020, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2020		2019	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Joint ventures	10,110,392	6,614,062	7,483,030	5,867,361
Properties buyers	626,949	626,949	1,185,517	1,185,517
	10,737,341	7,241,011	8,668,547	7,052,878

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 2020, no provision on the above guarantees was made (2019: nil).

As at 31 December 2020, the Company has executed guarantees in favour of banks, in respect of loan facilities granted to certain subsidiaries and joint ventures, amounting to HK\$32,191 million (2019: HK\$32,364 million) and HK\$9,961 million (2019: HK\$7,453 million) respectively. Of these, facilities totaling HK\$22,712 million (2019: HK\$18,685 million) and HK\$6,589 million (2019: HK\$5,867 million) respectively have been utilised.

41 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:

	2020	2019
	HK\$'000	HK\$'000
Fees	942	942
Salaries and other emoluments	33,978	32,794
Discretionary bonuses	11,133	9,789
Pension costs — defined contribution plans	3,455	3,337
Share option	2,387	3,914
	51,895	50,776

- (b) Rental income from an investee company amounted to HK\$1,445,000 (2019: HK\$1,453,000) based on the terms of rental agreement between the parties.
- (c) Rental expense to related companies amounted to HK\$14,689,000 (2019: HK\$14,288,000) based on the terms of master lease agreement between the parties.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

As at 31 December 2020

	2020 HK\$'000	2019 HK\$'000
ASSETS		
Non-current asset		
Subsidiaries	259,561	259,561
Current assets		
Amounts due from subsidiaries	3,232,094	2,888,009
Cash and bank deposits	14,193	8,981
	3,246,287	2,896,990
Total assets	3,505,848	3,156,551
EQUITY		
Share capital	312,697	312,517
Reserves (note a)	3,189,201	2,840,740
Shareholders' funds	3,501,898	3,153,257
LIABILITY		
Current liability		
Creditors and accruals	3,950	3,294
Total equity and liability	3,505,848	3,156,551
Net current assets	3,242,337	2,893,696
Total assets less current liability	3,501,898	3,153,257

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 2020	1,776,711	50,825	213,560	13	799,631	2,840,740
Comprehensive income						
Profit for the year	—	—	—	—	994,469	994,469
Transactions with equity holders						
Fair value of share options	—	5,663	—	—	—	5,663
Exercise of share options	5,717	(864)	—	—	—	4,853
Lapse of share options	—	(16,191)	—	—	16,191	—
2019 final dividend	—	—	—	—	(437,636)	(437,636)
2020 interim dividend	—	—	—	—	(218,888)	(218,888)
At 31 December 2020	1,782,428	39,433	213,560	13	1,153,767	3,189,201
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

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
Innate Power Development 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 Corporation Limited	Hong Kong	1	N/A	100	Investment holding
Raise Union Limited	Hong Kong	1	N/A	100	Investment holding
Royal Mark Investments Limited	Hong Kong	1	N/A	100	Property development
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
Strategic Pioneer 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	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	100	Property management
上海曦臻煦商務管理有限公司 (Shanghai Xi Zhen Xu Business Management Co., Ltd)	Shanghai	RMB20,000,000 (Paid up: nil)	100	Investment holding
南京嘉耀房地產開發有限公司 (Nanjing Jia Yao Real Estate Development Co., Ltd.)	Nanjing	RMB300,000,000	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
南京嘉兆房地產開發有限公司 (Nanjing Jia Zhao Real Estate Development Co., Ltd.)	Nanjing	RMB2,500,000,000 (Paid up: RMB687,500,000)	100	Property development and investment
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
蘇州嘉煦房地產開發有限公司 (Suzhou Jia Xu Real Estate Development Co., Ltd.)	Suzhou	RMB100,000,000	100	Property development

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
廣州市泰榮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
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

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

(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
嘉興榮聿置業有限公司 (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

(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
Cheer Smart Investment Limited	Hong Kong	4	N/A	25	Investment holding
Dynamic Wish Limited	Hong Kong	1	N/A	25	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	16.66	Property development

Note: Despite less than 20% equity interest in certain companies, significant influence is exercised in the management and thus the companies have been accounted for as associated companies of the Group through the participation in their boards.

Significant Properties

As at 31 December 2020

	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	21,000	53.61	2056	Completed	Existing
The Peak 19 Xingxian Road, Nanjing	Commercial	8,000	100	2054	Completed	Existing
K. Wah Plaza Yingbin Road, Xinhuaqzhen, 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	13,700	100	2069	Construction	2022
DEVELOPMENT PROPERTIES						
Hong Kong						
Solaria 16 Fo Chun Road, Tai Po, New Territories	Residential	13,000	100	2065	Completed	Existing
2 Grampian Road, Kowloon	Residential	2,000	100	2047	Completed	Existing
K. Summit 9 Muk Tai Street, Kowloon	Residential	53,000	100	2067	Construction	2021
Grand Victoria 6 & 8 Lai Ying Street, South West Kowloon	Residential	91,800	22.5	2067	Construction	2023
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	2024
New Kowloon Inland Lot No. 6577, Kai Tak Area 4A Site 1	Residential	99,900	40	2069	Construction	2024
New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2	Residential	111,900	10	2069	Construction	2024
LOHAS Park Package Eleven Property Development, Tseung Kwan O	Residential	88,800	30	2052	Construction	2024
LOHAS Park Package Thirteen Property Development, Tseung Kwan O	Residential	144,000	25	2052	Planning	2024 or beyond
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2024 or beyond

Significant Properties

As at 31 December 2020

	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						
Phase III of The Palace 236 Jianguoxi Road, Xuhui District, Shanghai	Residential	4,900	100	2065	Completed	Existing
Windermere Lane 298, 300 Shadian South Road, Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	45,000	100	2050 to 2080	Completed	Existing
Azure 58 Jingye Road, Pudong New District, Shanghai	Residential	16,000	100	2083	Completed	Existing
Site 7-7, Unit E18, Weifang Village Street, Pudong District, Shanghai	Residential	14,200	100	2084	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	59,000	100	2088	Construction	2021
Lot 2019-WG-29, Gaotieincheng, Xiangcheng District, Suzhou	Residential	70,400	100	2089	Construction	2022
Royal Mansion National Hi-Tech District, Suzhou	Residential	21,900	47	2088	Completed	Existing
Lot 44 in National High-tech District, Jiaxing	Residential	130,000	17	2087	Completed	Existing
Lot 12-2, in Economic & Technological Development Zone, Kunshan	Residential	66,000	16.66	2088	Construction	2021
Phases III & IV of K. Wah Plaza Huadu District, Guangzhou	Apartment	20,300	100	2039	Completed	Existing
Cosmo Xinhuazhen West Site, Huadu District, Guangzhou	Residential/ Commercial	579,000	99	2034 to 2068	Phase I: Construction Others: Planning	Phase I: 2022 Others: 2023 or beyond
Bayview Songshan Lake District, 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	Partially completed	Existing/2021
Jiajun Garden Xinhui Site No. 03, Xinhui District, Jiangmen	Residential	100,000	50	2088	Construction	2021
Site JCR2018-127 (Xinhui Site No. 17), Xinhui District, Jiangmen	Residential/ Commercial	74,100	30	2058 to 2088	Construction	2022

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 the development, the residential properties in the development, views, surrounding environment and the facilities of the clubhouse 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. The existing, future or tentative buildings and facilities as mentioned in this Annual Report are subject to changes from time to time, and may not be completed or ready for operation when the relevant developments can be occupied, and their physical state after completion may be different from those as stated in this Annual Report, and are for reference only.

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(不論與發展項目、發展項目內的住宅物業、景觀、周邊地區環境及會所的設施是否有關)。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/或預售樓花同意書,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目及會所及康樂設施,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。本年報所顯示之現有、未來或擬建建築物及設施等可能不時更改,於有關發展項目入伙時亦可能尚未落成或啟用,其完成後之狀況與本年報所述者可能不同,僅供參考。

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