嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 00173)

Delivering Value with Distinctive Quality

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS HIGHLIGHTS

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

- Attributable contracted sales of the Group amounted to approximately HK$12.6 billion for the year ended 31 December 2017 with HK$9.7 billion expected to be recognised in the year ending 2018 or 2019.
- Revenue of the Group was HK$11,294 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK$11,737 million.
- Profit attributable to equity holders increased 23% to HK$3,906 million.
- Earnings per share was 128.18 HK cents, and the full year dividend per share (including final dividend per share of 13 HK cents) was 18 HK cents.
- As of 31 December 2017, net asset value per share was HK$11.5 and cash and bank deposits amounted to HK$5,849 million.
- The Group further enhanced its funding capability and lowered its financing cost by successfully securing a HK$8 billion 5-year loan facility in January 2017.
- During the year, the Group acquired six pieces of land in Hong Kong, Nanjing, Jiangmen and Suzhou with an attributable land premium of approximately HK$10.5 billion. The Group will continue to seek opportunities to augment its landbank on a disciplined basis.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2017

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

	Note	***HK cents***	*HK cents*
Earnings per share	8		
Basic		**128.18**	107.62
Diluted		**127.78**	107.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**447,913**	446,360
Investment properties		**12,599,451**	8,291,075
Leasehold land and land use rights		**14,684**	14,309
Joint ventures		**7,237,381**	976,552
Associated companies		**1,106,983**	1,278,491
Non-current investment		**10,187,750**	5,491,961
Deferred taxation assets		**119,663**	79,431
Other non-current assets		**585,192**	176,519
		32,299,017	16,754,698
Current assets			
Development properties		**29,696,662**	23,677,327
Inventories		**3,990**	2,055
Amounts due from associated companies		**3,674**	21,699
Debtors and prepayments	10	**2,118,931**	1,189,389
Land and tender deposits		**1,896,658**	1,185,500
Derivative financial instruments		**-**	938
Financial assets at fair value through profit or loss		**270,024**	142,567
Taxes recoverable		**368,954**	250,252
Cash and bank deposits		**5,848,809**	7,248,193
		40,207,702	33,717,920
Total assets		**72,506,719**	50,472,618
EQUITY			
Share capital		**305,546**	295,674
Reserves		**34,697,102**	25,064,023
Shareholders' funds		**35,002,648**	25,359,697
Non-controlling interests		**2,014,039**	1,766,770
Total equity		**37,016,687**	27,126,467
LIABILITIES			
Non-current liabilities			
Borrowings		**16,668,400**	6,934,991
Guaranteed notes		**998,863**	997,843
Derivative financial instruments		**-**	986
Deferred taxation liabilities		**2,147,108**	1,574,946
		19,814,371	9,508,766
Current liabilities			
Amounts due to joint ventures		**824,220**	559,343
Amounts due to associated companies		**415,839**	218,034
Creditors and accruals	11	**2,213,195**	1,698,815
Pre-sales deposits		**7,731,214**	5,798,541
Current portion of borrowings		**811,587**	1,366,069
Current portion of guaranteed notes		**-**	1,713,719
Derivative financial instruments		**615**	5,004
Taxes payable		**3,678,991**	2,477,860
		15,675,661	13,837,385
Total liabilities		**35,490,032**	23,346,151
Total equity and liabilities		**72,506,719**	50,472,618
Net current assets		**24,532,041**	19,880,535
Total assets less current liabilities		**56,831,058**	36,635,233

NOTES

1. Basis of preparation

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

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

The adoption of revised HKFRSs

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

HKAS 7 (Amendment)	Statement of Cash Flows – Disclosure Initiative
HKAS 12 (Amendment)	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The Group has assessed the impact of the adoption of these amendments to standards and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

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

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

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

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

1. Basis of preparation (Cont'd)

New standards and amendments to standards that are not yet effective

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

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

HKFRS 9, 'Financial Instruments'

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

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

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

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

1. Basis of preparation (Cont'd)

HKFRS 9, 'Financial Instruments' (cont'd)

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

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

HKFRS 15, 'Revenue from Contracts with Customers'

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

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

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

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

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

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

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

1. Basis of preparation (Cont'd)

HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

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

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

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

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

2. Segment information

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

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

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

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Others** *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017						
Revenue	**5,399,461**	**5,324,044**	**-**	**463,630**	**106,752**	**11,293,887**
Adjusted EBITDA	**1,902,210**	**3,134,452**	**(3,101)**	**370,691**	**(205,825)**	**5,198,427**
Other income and expenses/gains, net						**(339,207)**
Depreciation and amortisation						**(31,430)**
Fair value gain on transfer of development properties to investment properties				**1,275,065**		**1,275,065**
Change in fair value of investment properties				**458,631**		**458,631**
Finance costs						**(20,353)**
Share of profits/(losses) of joint ventures	**135,413**	**(3,983)**				**131,430**
Share of profits of associated companies	**62,764**					**62,764**
Profit before taxation						**6,735,327**
Taxation charge						**(2,218,052)**
Profit for the year						**4,517,275**
As at 31 December 2017						
Segment assets	**19,334,857**	**20,824,513**	**149,506**	**12,911,490**	**-**	**53,220,366**
Other assets	**-**	**-**	**-**	**-**	**10,938,315**	**10,938,315**
Joint ventures	**6,766,148**	**471,233**	**-**	**-**	**-**	**7,237,381**
Associated companies	**1,110,657**	**-**	**-**	**-**	**-**	**1,110,657**
Total assets	**27,211,662**	**21,295,746**	**149,506**	**12,911,490**	**10,938,315**	**72,506,719**
Total liabilities	**17,583,923**	**15,489,392**	**648**	**2,356,300**	**59,769**	**35,490,032**
Year ended 31 December 2016						
Revenue	3,266,978	5,857,652	-	392,697	102,629	9,619,956
Adjusted EBITDA	895,050	3,086,042	(3,199)	346,765	(192,286)	4,132,372
Other income and expenses/gains, net						(348,416)
Depreciation and amortisation						(36,548)
Fair value gain on transfer of development properties to investment properties				345,936		345,936
Change in fair value of investment properties				107,640		107,640
Finance costs						(22,308)
Share of profits/(losses) of joint ventures	102,854	(47)				102,807
Share of profits of associated companies	790,363					790,363
Profit before taxation						5,071,846
Taxation charge						(1,845,715)
Profit for the year						3,226,131
As at 31 December 2016						
Segment assets	12,904,634	20,293,040	304,798	8,510,669	-	42,013,141
Other assets	-	-	-	-	6,182,735	6,182,735
Joint ventures	976,116	436	-	-	-	976,552
Associated companies	1,300,190	-	-	-	-	1,300,190
Total assets	15,180,940	20,293,476	304,798	8,510,669	6,182,735	50,472,618
Total liabilities	7,997,144	13,441,353	657	1,860,021	46,976	23,346,151

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong *HK$'000*	Mainland China *HK$'000*	Others *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017						
Additions to non-current assets	**-**	**7,248**	**15**	**412**	**1,203**	**8,878**
Year ended 31 December 2016						
Additions to non-current assets	-	6,082	-	-	3,449	9,531

Geographical segment information

The Group operates in three (2016: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the years ended 31 December 2017 and 2016 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets and other non-current assets) as at 31 December 2017 and 2016 by geographical area are as follows:

Revenue

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

Non-current assets

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

3. Revenue

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

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

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

5. Finance costs

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

6. Profit before taxation

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**80,350**	63,490
Interest income from mortgage loans and others	**16,021**	1,845
Dividend income from non-current investment	**95,866**	53,620
Release of exchange reserve upon reduction of interest in subsidiaries	**40,182**	61,541
Net gain on settlement of derivative financial instruments	**-**	12,403
Net fair value gains on derivative financial instruments	**3,717**	11,404
Net fair value gains on financial assets at fair value through profit or loss	**9,464**	2,948
Net exchange gains	**2,904**	-
and after charging:		
Cost of properties sold	**5,525,278**	5,018,334
Cost of inventories consumed/sold	**20,869**	20,874
Selling and marketing expenses	**581,026**	537,160
Depreciation (net of capitalisation)	**31,310**	36,427
Amortisation for leasehold land and land use rights	**120**	121
Operating lease rental for land and building	**8,041**	9,233
Loss on disposal of property, plant and equipment	**56**	42
Net loss on settlement of derivative financial instruments	**7,680**	-
Net exchange losses	**-**	10,730

7. Taxation charge

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

7. Taxation charge (Cont'd)

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

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

8. Earnings per share

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

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

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

9. Dividends

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

9. Dividends (Cont'd)

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

10. Debtors and prepayments

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

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

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

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

11. Creditors and accruals

	2017	2016
	HK$'000	*HK$'000*
Trade creditors	**1,749,118**	1,236,333
Other creditors	**65,871**	61,298
Amounts due to non-controlling interests	**-**	5,157
Accrued operating expenses	**212,339**	247,069
Rental and other deposits received	**185,867**	148,958
	2,213,195	1,698,815

11. Creditors and accruals (Cont'd)

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

	2017	2016
	HK$'000	*HK$'000*
Within one month	**1,738,121**	1,230,376
Two to three months	**3,879**	3,125
Four to six months	**1,878**	401
Over six months	**5,240**	2,431
	1,749,118	1,236,333

12. Guarantees

As at 31 December 2017, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2017		2016	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Joint ventures	**1,460,384**	**1,323,434**	117,000	117,000
Properties buyers	**1,240,998**	**1,240,998**	1,473,448	1,473,448
	2,701,382	**2,564,432**	1,590,448	1,590,448

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Operating Results

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

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

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

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

Property Development and Investment in Hong Kong

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

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

During the year, the Group together with other property developers successfully acquired two pieces of land at Kam Sheung Road Station and Cheung Sha Wan with a land premium of HK$8,330 million and HK$17,288 million respectively. The Group's interests in these two pieces of land are 33-1/3% and 22.5% respectively.

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

(A) Current Major Development Properties

The Spectra, Yuen Long (60% owned)

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

K.City, Kai Tak (100% owned)

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

Solaria, Tai Po (100% owned)

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

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

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

Twin Peaks, Tseung Kwan O (100% owned)

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

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

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

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

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

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

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

Marinella, Aberdeen (35% owned)

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

Providence Bay, Tai Po (15% owned)

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

Providence Peak, Tai Po (25% owned)

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

2 Grampian Road, Kowloon (100% owned)

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

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

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

Lot No.1040 in DD No.103, West Rail Kam Sheung Road Station Phase I Property Development, Yuen Long (33-1/3% owned)

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

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

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

(B) Investment properties

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

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

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

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

Commercial Complex at Twin Peaks (100% owned)

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

Property Development and Investment in Mainland China

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

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

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

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

(A) Current Major Development Properties

Shanghai, Nanjing and Suzhou

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

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

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

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this exclusive luxury residential project has a total GFA of approximately 100,000 square metres offering 273 residential units for sale and 113 units held as serviced apartments under "Stanford Residences Jing An". The project is complete and an additional block of 16 units originally for sale were transferred to investment property to be operated under "Stanford Residences Jing An" during the year for rental and to capture their longer term capital appreciation in value. All the other standard residential units have been sold out with only four penthouses are available for sale.

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

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

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

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

Windermere, Qingpu District, Shanghai (100% owned)

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

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

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

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

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

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

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

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

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

Guangzhou, Dongguan and Jiangmen

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

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

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

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

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

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

J Metropolis Phases I to IV, Xinhuazhen East

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

Xinhuazhen West Site

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

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

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

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

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

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

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

(B) Investment Properties

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

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

Stanford Residences

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

Stanford Residences Jing An, Shanghai (100% owned)

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

Stanford Residences Xu Hui, Shanghai (100% owned)

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

Stanford Residences Jin Qiao, Shanghai (100% owned)

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

Palace Lane, Shanghai (100% owned)

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

J Town, Dongguan (100% owned)

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

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

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

Investment in GEG

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

OUTLOOK AND STRATEGY

Global and Asian economies

During the year, Emmanuel Macron, a pro-European Union ("***EU***") centrist, being elected French President while Germany chancellor, Angela Merkel, being re-elected helped to ease market concerns over the possible breakup of the EU and EU countries' economy grew steadily. British Prime Minister Theresa May also managed to stay in office and continues to head the negotiations on Brexit with the EU. In the US, while the government headed by President Donald Trump pushed ahead his tax-cut plan, the US Federal Reserve raised the federal fund rate three times in 2017, each by 0.25%, within market expectations.

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

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

The property market in Hong Kong and Mainland China

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

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

Project sales and progress

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

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

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

Land bank replenishment

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

Recurring income

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

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

Conclusion

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

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

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

REVIEW OF FINANCE

Financial Position

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

Group Liquidity, Financial Resources and Gearing Ratio

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

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

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

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

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

Treasury Policies

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

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

Charges on Group Assets

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

Guarantees

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

ENVIRONMENTAL, SOCIAL AND GOVERANCE POLICIES

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

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

The Group follows the best industry standards and practices in managing our waste. Our Hong Kong and Mainland China projects are stringently governed by the waste disposal statutory requirements of each region. Our contractors in Hong Kong are required to conduct operations as stipulated in the "Best Practice Guide for Environmental Protection on Construction Sites" provided by the Hong Kong Construction Association. Our office operations are also gradually migrating to paperless systems which facilitate a reduction in paper consumption.

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

Account of Key Relationships with Employees, Customers and Suppliers

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

Employees

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

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

Customers

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

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

Suppliers

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

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

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

CORPORATE GOVERNANCE

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

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

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2016 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2017 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2017 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("***Model Code***") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all its Directors, the Company confirms that during the year ended 31 December 2017 all of its Directors have complied with the required standards as set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2017 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 6 June 2018 ("***2018 AGM***") a final scrip dividend (with a cash option) for the year ended 31 December 2017 of 13 HK cents per share, totaling HK$397,762,000, payable on 18 July 2018 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 June 2018 (2016: a final scrip dividend (with a cash option) of 13 HK cents per share totaling HK$385,008,000). Together with the interim scrip dividend (with a cash option) of 5 HK cents per share (2016: interim scrip dividend (with a cash option) of 5 HK cents per share), total dividends per share for the year ended 31 December 2017 is 18 HK cents (2016 total: 18 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2018 AGM and the HK Stock Exchange granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and dividend warrants will be posted on 18 July 2018 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2018 AGM

The registers of members will be closed from 1 June 2018 to 6 June 2018, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2018 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 May 2018.

Entitlement to Final Dividend

The registers of members will be closed from 14 June 2018 to 19 June 2018, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 June 2018.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") (*www.hkexnews.hk*). The Company's 2017 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2018.

DIRECTORS

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

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

Hong Kong, 20 March 2018