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Vanke Overseas Investment Holding Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

2019 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

ZHANG Xu *(Chairman)*
QUE Dongwu *(Chief Executive Officer)*
LEE Kai-Yan (re-designated from non-executive Director with effect from 15 August 2019)
LIN Lily (re-designated from non-executive Director with effect from 15 August 2019)

Non-Executive Director

CHAN Chi Yu

Independent Non-Executive Directors

CHAN Wai Hei, William
LAW Chi Yin, Cynthia
SHIUM Soon Kong (resigned with effect from 28 February 2019)
ZHANG Anzhi (appointed with effect from 1 March 2019)

AUDIT COMMITTEE

CHAN Wai Hei, William *(Chairman)*
CHAN Chi Yu
LAW Chi Yin, Cynthia

REMUNERATION COMMITTEE

SHIUM Soon Kong *(Chairman)* (resigned with effect from 28 February 2019)
ZHANG Anzhi *(Chairman)* (appointed with effect from 1 March 2019)
QUE Dongwu
CHAN Wai Hei, William

NOMINATION COMMITTEE

LAW Chi Yin, Cynthia *(Chairman)*
ZHANG Xu
SHIUM Soon Kong (resigned with effect from 28 February 2019)
ZHANG Anzhi (appointed with effect from 1 March 2019)

COMPANY SECRETARY

LAI Ivy (resigned with effect from 15 August 2019)
CHAN Wing Kit (appointed with effect from 15 August 2019 and resigned with effect from 12 December 2019)
YIP Hoi Man (appointed with effect from 12 December 2019)

AUDITOR

KPMG
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

LEGAL ADVISORS TO THE COMPANY

Reed Smith Richards Butler *(as to Hong Kong law)*
Maples and Calder *(as to Cayman Islands law)*

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

P. O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

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Hong Kong

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Zhang Xu, aged 56, was appointed an Executive Director of Vanke Overseas Investment Holding Company Limited (formerly known as Vanke Property (Overseas) Limited) (the "Company", together with its subsidiaries, the "Group") in July 2012 and Chairman in February 2019. He is also a member of the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Mr. Zhang joined China Vanke Co., Ltd. ("China Vanke"), a company listed on The Stock Exchange of Hong Kong Limited ("SEHK") (stock code: 2202) and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), in November 2002, and was further appointed as an Executive Director of China Vanke on 30 June 2017. He is currently the General Manager of Logistics Business Unit of China Vanke as well as a director of Vanke Property (Hong Kong) Company Limited ("VPHK"), an intermediate holding company of the Company, a non-executive non-independent director of Banyan Tree Holdings Limited, a company listed on Singapore Stock Exchange Limited ("SGX") (stock code: B58.SG), and a director of GLP Holdings Limited. Mr. Zhang has approximately 20 years of experience in real estate business. He obtained a bachelor's degree in Industrial and Civil Construction from Hefei University of Technology in the PRC in August 1984 and a part-time Professional Master of Business Administration from the Troy State University, United States in June 2001. Before joining China Vanke, he has worked at China Overseas Group.

Ms. Que Dongwu, aged 53, was appointed an Executive Director of the Company in July 2012 and Chief Executive Officer in February 2019. She is also a member of the Remuneration Committee of the Company and a director of certain subsidiaries of the Group. Ms. Que joined China Vanke, a company listed on SEHK (stock code: 2202) and a substantial shareholder of the Company within the meaning of Part XV of the SFO, in May 1993 and is currently a Vice President of China Vanke and the General Manager of Overseas Business Unit of China Vanke responsible for managing China Vanke's overseas investment and development platforms. She is also a director of VPHK. Ms. Que has over 16 years of experience in corporate finance and real estate investment. She obtained her master degree in Economics from Fudan University, PRC in July 1999.

Mr. Lee Kai-Yan, aged 43, was appointed Non-Executive Director of the Company in October 2018 and was re-designated as an Executive Director of the Company in August 2019. Mr. Lee joined Vanke Holdings (USA) LLC, a wholly-owned subsidiary of China Vanke and a fellow subsidiary of the Company, in 2013 as its managing director to lead its establishment, expansion, and operations. Mr. Lee was re-assigned from Vanke Holdings (USA) LLC to Vanke US Management LLC, a subsidiary of the Company, since 30 June 2019. Mr. Lee has more than 15 years of professional experience in real estate and financial markets, including through his prior work at the World Economic Forum LLC between 2010 and 2013, Federal Reserve Bank of Boston between 2007 and 2010, and San Joaquin Council of Governments from 2001 to 2004. Mr. Lee previously was appointed as the Redevelopment Commis-sioner of the Redevelopment Commission of the City of Stockton, California between 2002 and 2004. He is currently on the Executive Director Board of the China General Chamber of Commerce (USA) and on the Executive Committee of the Association of Foreign Investors in Real Estate (AFIRE). Mr. Lee obtained his undergraduate degree in architecture from the University of California, Berkeley, in 2000, and his master degrees from Harvard University in public policy and from Massachusetts Institute of Technology (MIT) in city planning, both in 2007.

Ms. Lin Lily, aged 41, was appointed Non-Executive Director of the Company in October 2018 and was re-designated as an Executive Director of the Company in August 2019. Ms. Lin joined Vanke Holdings (UK) Limited, a wholly-owned subsidiary of China Vanke and a fellow subsidiary of the Company, in January 2015 as its managing director. Ms. Lin was re-assigned from Vanke Holdings (UK) Limited to Vanke Overseas UK Management Limited, a subsidiary of the Company, since 30 June 2019. She is responsible for the overall management of the company's investments in the United Kingdom. Previously Ms. Lin worked at UBS AG in London between 2007 and 2015. Prior to that Ms. Lin worked on the investment team at Ascendas in Shanghai, between 2003 and 2005. Ms. Lin graduated from the University of Southern California with a Bachelor of Science in Business Administration in 2000, and a Bachelor of Arts in French in 2001. She obtained a Master of Business Administration from INSEAD in France in 2006.

NON-EXECUTIVE DIRECTOR

Mr. Chan Chi Yu, aged 65, was appointed Non-Executive Director of the Company in July 2012. He is also a member of the Audit Committee of the Company. Mr. Chan was a director of China Vanke, a company listed on SEHK (stock code: 2202) and a substantial shareholder of the Company within the meaning of the Part XV of the SFO, from May 1997 to April 2008 and a consultant of China Vanke from April 2008 to April 2016. Mr. Chan is also a director of certain subsidiaries and affiliates of China Vanke. Mr. Chan has received various training in accounting, business administration, corporate governance and security brokerage. He is a fellow member of The Hong Kong Institute of Directors, a full member of The Hong Kong Management Association and also an affiliated member of The Association of International Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Hei, William, aged 62, was appointed Independent Non-Executive Director of the Company in September 2012. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan has over 30 years of experience in accounting and finance. He worked for Messrs. Li, Tang, Chen & Co., Certified Public Accountants (Practicing) since June 1980 and was admitted as a partner from April 1989 until September 2018. He is currently working for Roger K.C. Tou & Co. as a senior consultant. Mr. Chan graduated from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 1980 with a Diploma in Accounting. Mr. Chan was the President of The Hong Kong Institute of Accredited Accounting Tech-nicians Limited (which is a wholly-owned subsidiary of the Hong Kong Institute of Certified Public Accountants) from 1992 to 1995. Mr. Chan is currently a fellow member of The Institute of Chartered Accountants in England and Wales, a member of The Society of Chinese Accountants and Auditors of Hong Kong, a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Taxation Institute of Hong Kong and a fellow member of The Hong Kong Institute of Directors.

Ms. Law Chi Yin, Cynthia, aged 54, was appointed Independent Non-Executive Director of the Company in May 2015. She is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. Ms. Law has over 28 years of experience in banking and finance. Ms. Law joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in 1987 and worked there until her retirement as the Managing Director and Deputy Head of Global Banking of HSBC, China in August 2014. Ms. Law is a veteran banker possessing banking, capital markets and management experience across HSBC's key global businesses including retail banking and wealth management, commercial banking, global trade and receivable finance and had, since 1996, been specialised in global banking and markets in Mainland China. She is currently an adviser to JL Capital Family Office Pte. Ltd., a Singapore based fund management company in relation to their China related investments. Ms. Law graduated from the University of Toronto with a double major degree in Computer Science for Data Management and Commerce. She is a chartered financial analyst.

Mr. Zhang Anzhi, aged 48, was appointed Independent Non-Executive Director of the Company on 1 March 2019. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Zhang has extensive experience in investment banking, corporate finance, investment and general management. Mr. Zhang worked at Deutsche Bank Aktiengesellschaft from 2009 to 2018, during which period he served in various management positions and his last position was managing director and vice chairman of Greater China Corporate Finance. Prior to that, he worked at Merrill Lynch (Asia Pacific) Limited from 2004 to 2009 and his last position was director and Head of Corporate Finance China. Before joining Merrill Lynch, Mr. Zhang worked at J.P. Morgan plc and The Hongkong and Shanghai Banking Corporation Limited as an investment banker.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

As a milestone of its corporate development and a demonstration of the Group's ambition to develop its asset management and strengthen its property development and property investment business, on 30 June 2019, the Group completed the acquisitions (the "Acquisitions") of equity interests or investment instruments (as the case may be) in certain properties in London, the United Kingdom, and San Francisco and New York in the United States of America. The Acquisitions comprise acquiring (i) approximately 99.95% effective interest in the investment property Ryder Court located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James's, London, SW1, the United Kingdom ("Ryder Court"); (ii) 45% effective interest in the investment property located at 657 and 663–667 Mission Street, San Francisco, California, the United States of America ("Mission"); and (iii) 100% of the holding entity which participates in 49% effective interest in the investment instruments ("Investment Instruments") for funding the development of the property located at 25 Park Row, New York, the United States of America ("Park Row").

Further, in order for the Group to enhance its asset management capabilities in the United Kingdom and the United States of America, the Group entered into a management services framework agreement with VPHK and certain of its subsidiaries (the "VPHK Parties") which took effect on 30 June 2019, after which the Group recruited the former employees, who are responsible for overseeing and managing the property investment and management in the United Kingdom and the United States of America, of China Vanke and its subsidiaries (excluding the Group) (the "China Vanke Group") and pursuant to which the Group is currently providing asset management services in such places to China Vanke Group. These projects and business activities have contributed income to the Group from the second half of 2019.

In the second half of 2019, the Group continued the momentum of the Group's expansion of its asset management and property development and property investment business. On 1 November 2019, the Group completed the acquisition (the "HK Acquisition") of approximately 99.89% effective interest in the property comprising pieces or parcels of ground located at 62, 64, 66 and 68 Chun Yeung Street, Hong Kong (the "Chun Yeung Street Property"). The Board considers that the HK Acquisition offers a good opportunity for the Group to broaden its portfolio in the property market in Hong Kong, especially that over 99% of the units in the West Rail Tsuen Wan West Station TW6 Property Development Project (the "TW6 Project" and also known as "The Pavilia Bay") of the Group have been sold. The HK Acquisition enables the Group to have new resources for providing long-term growth prospects and investment return to the Shareholders. Upon completion of the development of the Property into a hotel, the Property is expected to generate stable income to the Group.

In conjunction with the Acquisitions, the Group entered into a supplemental agreement to amend the existing management services framework agreement with VPHK Parties which took effect on 1 November 2019, pursuant to which the Group began providing management services to VPHK Parties in Hong Kong (the "Management Services"). To support the Management Services, the Group employed the former employees of China Vanke Group who were responsible for overseeing and managing the business of property development, investment and management in Hong Kong in November 2019. With the joining of the management team from the United States of America, the United Kingdom and Hong Kong, the Group could lay a solid foundation to cultivate its asset management and property development and investment capabilities in the gateway market, and add a new income stream from the asset management arm. This can increase the overall competitive edge of the Group in the real estate business sector.

For details of the Acquisitions, the HK Acquisition and the Management Services, please refer to the Company's announcement dated 8 March 2019 and circular dated 21 May 2019 relating to the Acquisitions and the Management Services and the Company's announcement dated 29 August 2019 and circular dated 30 September 2019 relating to the HK Acquisition and the supplemental agreement relating to the Management Services.

BUSINESS REVIEW *(continued)*

Overview *(continued)*

The Group's revenue is derived from the leasing of units and car parking spaces in Regent Centre, the leasing of Ryder Court, interest from the Investment Instruments and provision of asset management services. Revenue for the year was approximately HK$251.5 million (2018: HK$101.8 million), representing an increase of approximately 147%. The increase was mainly due to (i) the increase in passing rent for the units in Regent Centre; (ii) Ryder Court and the Investment Instruments having begun generating revenue after the completion of the Acquisitions; and (iii) the commencement of the management services framework agreement and the supplemental agreement on 30 June 2019 and 1 November 2019, respectively.

The Group's investment in Regent Centre was at a fair value at approximately HK$2,004.5 million as at 31 December 2019 (31 December 2018: HK$1,968.0 million), representing an increase of approximately 2%. The Group's investment in Ryder Court was at a fair value at approximately HK$1,149.5 million as at 31 December 2019. There has been no change in the valuation methodology of the Group's investment properties. After netting off the additions to investment properties of HK$0.9 million, the net fair value gain amounted to approximately HK$0.9 million for the year (2018: HK$136.0 million).

Excluding the change in fair value of investment properties and share of results of associates of the Group, the Group's underlying profit for the year was approximately HK$115.6 million (2018: HK$75.2 million), representing an increase of approximately 54%. The increase was mainly due to (i) net profit generated from Ryder Court; (ii) the interest income on investment instruments; and (iii) net profit generated from the provision of asset management services.

Property investment

The Group's investment properties comprise (i) various portions of Regent Centre (the "Regent Centre"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (ii) Ryder Court, which is located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James's, London, SW1, the United Kingdom.

The Group owns a total gross floor area of approximately 657,000 square feet in Regent Centre and approximately 76,000 square feet in Ryder Court, representing 64% and 100% of the total gross floor area respectively.

During the year, the Group renewed the leases of Regent Centre at a positive rental reversion. Occupancy of Regent Centre decreased to 96% as at 31 December 2019 (31 December 2018: 99%) against an increase in monthly passing rent to HK$10.0 per square foot as at 31 December 2019 (31 December 2018: HK$9.7 per square foot). Apart from monthly rent, the tenants are responsible for payment of a property management fee to the landlord, whose income has been accounted for as part of the revenue of the Group. Total revenue from the leasing of units and car parking spaces in Regent Centre was approximately HK$102.1 million (2018: HK$101.8 million).

The Acquisitions completed on 30 June 2019. Ryder Court began generating revenue. As at 31 December 2019, the occupancy rate of the Ryder Court was 99%. Total revenue from the leasing of Ryder Court during the year was approximately HK$25.0 million (2018: nil).

Gross profit from operation for the year increased to approximately HK$105.0 million (2018: HK$79.0 million), mainly due to an increase in revenue from Ryder Court during the year.

Segment profit before change in fair value of investment properties of the Group amounted to approximately HK$80.9 million for the year (2018: HK$77.4 million), representing an increase of approximately 5%. The increase was mainly due to netting effect of revenue generated from Ryder Court and the interest expenses incurred by Regent Centre during the year.

BUSINESS REVIEW *(continued)*

Property development

The Group's property under development is represented by investment in Ultimate Vantage Limited ("Ultimate Vantage"), a 20% associate of the Group. Ultimate Vantage is a special purpose vehicle established in January 2013 for the development of The Pavilia Bay. Up to the date hereof, over 99% of the units have been sold at gross proceeds of approximately HK$10.0 billion and substantially all sold units of The Pavilia Bay have been handed over to the buyers in the fourth quarter of 2018.

Gold Value Limited ("Gold Value"), a 20% associate of the Group, was formed by the Group and the joint venture partner in Ultimate Vantage (the "TW6 Partner") in November 2016 for the purpose of providing first and second mortgage financing to the buyers of the TW6 Project on market terms (the "Provision of Mortgages"). Finance for the business of Gold Value is provided by the Group and the TW6 Partner by way of interest-bearing shareholder's loans on a several basis and in proportion to each of the parties' shareholding interest in Gold Value.

The Group's total investment in Ultimate Vantage and Gold Value (collectively, the "Associates"), comprising the share of net assets of the Group in the Associates as well as amounts due from the Associates, amounted to approximately HK$305.5 million as at 31 December 2019 (31 December 2018: HK$346.4 million). The decrease in total investment of the Group during the year was mainly due to the repayment of amount due from Ultimate Vantage of approximately HK$1.4 million, and partial repayment of amount due from Gold Value of approximately HK$59.3 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value) (collectively, "Associates' Payments"). During the year ended 31 December 2019, the Group has also received advances from Ultimate Vantage of HK$148.2 million, being advances from Ultimate Vantage to all its shareholders in proportionate to their respective shareholdings.

The Group's share of profit of Associates amounted to HK$19.8 million for the year (2018: HK$465.7 million). The significant decrease was mainly due to the realisation of most of the profits from the TW6 Project in 2018 when most of the units were handed over to the buyers.

The Group's another property development project is represented by the participation in 49% effective interest in the investment instruments for funding the development of Park Row held by Supreme J Limited, an indirect wholly-owned subsidiary of the Company. The Investment Instruments have begun generating interest income for the Group during the second half of 2019. The revenue generated from the Investment Instruments during the year amounted to approximately HK$41.4 million (2018: nil).

Another of the Group's property development project is represented by investment in 657–667 Mission Street Venture LLC, a 45% associate of the Group, and its subsidiaries (collectively, the "Mission Street Group"). The Mission Street Group owns Mission with a total gross floor area of approximately 155,000 square feet.

The Group also began sharing Mission Street Group's results in the second half of 2019. During the year, Mission continued to be under renovation and the Group had shared a loss of HK$3.0 million from Mission Street Group in the second half of 2019. Mission is expected to begin generating revenue for the Mission Street Group in 2021.

The HK Acquisition completed on 1 November 2019. As stated in the announcement of the Company dated 29 August 2019 and circular dated 30 September 2019 relating to the HK Acquisition, the Chun Yeung Street Property is intended to be re-developed and has not begun generating revenue for the Group during the year.

Segment profit amounted to approximately HK$65.0 million for the year (2018: HK$473.2 million), representing a decrease of approximately 86%. The decrease was mainly due to the significant decrease in share of profit of associates.

BUSINESS REVIEW *(continued)*

Asset management

From the second half of 2019, the Group began providing asset management services to VPHK Parties with respect to VPHK Parties' projects in Hong Kong, the United Kingdom and the United States of America. In return, the asset management service fees calculated at 1.25% per annum of the total capital of the relevant projects invested by VPHK Parties was charged by the Group. During the year, the Group's revenue from the provision of asset management services amounted to approximately HK$82.9 million (2018: nil).

Gross profit and segment profit from the provision of asset management services amounted to approximately HK$25.8 million (2018: nil) and HK$25.7 million (2018: nil), respectively, for the year.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK$32.5 million during the year (2018: HK$10.2 million). The increase was mainly due to a significant increase in legal and professional fees incurred for the Acquisitions and the HK Acquisition and the increase in average number of staff during the year.

Finance income

Remaining net proceeds generated from the Rights Issue (as defined below) and a portion of Associates' Payments have been placed with banks to earn interest income during the year. Finance income for the year amounted to approximately HK$24.8 million (2018: HK$20.8 million), comprising interest income on bank deposits and bank balances of HK$17.8 million (2018: HK$13.5 million) due to the increase in both of bank interest rates and the average bank balances during the year, and interest income on shareholders' loans due from Gold Value which amounted to approximately HK$7.0 million (2018: HK$7.3 million).

FINANCIAL REVIEW

Rights issue

In August 2015, the Group raised net proceeds of HK$1,032.2 million through a rights issue on the basis of one rights share for every two existing shares of the Company held on 13 July 2015 at the subscription price of HK$8.04 per rights share (the "Rights Issue").

During the year, the net proceeds from the Rights Issue has been utilised by the Company as follows:

Purpose	**Aggregate amount unutilised as at 1 January 2019** *HK$ million*	**Amount utilised during the year** *HK$ million*	**Aggregate amount utilised as at 31 December 2019** *HK$ million*
Land or property acquisition	393	(393)	(393)
Provision of Mortgages through Gold Value	–	–	(243)
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	–	–	(46)
Upgrading the air conditioning system in Regent Centre	–	–	(27)
Repayment of bank loan	–	–	(323)
Total	**393**	**(393)**	**(1,032)**

FINANCIAL REVIEW *(continued)*

Rights issue *(continued)*

During the year, the remaining net proceeds from the Rights Issue of approximately HK$393 million have been used in satisfying the partial consideration of the Acquisitions. Accordingly, as at 31 December 2019, the net proceeds from the Rights Issue were fully utilised.

There has been no material change in the proposed use of proceeds as disclosed in the announcement of the Company on 26 February 2018.

Liquidity and financial resources

Equity attributable to shareholders of the Company amounted to approximately HK$3,764.3 million as at 31 December 2019 (31 December 2018: HK$3,666.7 million). The increase was due to the equity attributable to the shareholders of the Company for the year of HK$132.6 million less a payment of 2018 final dividend of HK$35.0 million.

The Group's interest-bearing bank and other borrowings of approximately HK$1,258.0 million (31 December 2018: nil) as at 31 December 2019 were mainly denominated in pound sterling. The bank loan of HK$771.9 million (31 December 2018: nil) and the loan from an intermediate holding company of HK$424.6 million (31 December 2018: nil) were arranged on a floating rate basis, while the lease liabilities of HK$61.5 million (31 December 2018: nil) were arranged on a fixed rate basis. The increase was due to the financing obtained for the Group's property investment business and the Acquisitions.

The Company has a banking facility of GBP75.0 million (equivalent to approximately HK$776.8 million) (31 December 2018: nil) in which GBP74.8 million (equivalent to approximately HK$774.5 million) (31 December 2018: nil) has been utilised as at 31 December 2019. After deducting other borrowing costs capitalised at HK$2.6 million (31 December 2018: nil), the total outstanding bank loan was HK$771.9 million. The Group has a borrowing facility from an intermediate holding company of GBP41.0 million (equivalent to HK$424.6 million) (31 December 2018: nil) in which GBP41.0 million (equivalent to HK$424.6 million) (31 December 2018: nil) has been utilised as at 31 December 2019, which will be repayable upon third-party financing becoming available to the Group. As at 31 December 2019, the maturity profile of the outstanding bank loan was as follows:

	At 31 December 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Within 1 year or on demand	**10,357**	–
After 1 year but within 2 years	**10,357**	–
After 2 years but within 5 years	**751,223**	–
	771,937	–

As at 31 December 2019, the debt-to-equity ratio of the Company, which is calculated as interest-bearing bank and other borrowings divided by total equity of the Group, was 33.4% (31 December 2018: nil). The ratio of net debts (interest-bearing bank and other borrowings net of bank balances and cash) divided by total equity was 21.4% (31 December 2018: nil).

The Group's bank balances and cash amounted to HK$450.9 million (31 December 2018: 1,425.1 million) as at 31 December 2019. One of the Group's investment properties, Regent Centre, which is free from encumbrances for the time being, can be leveraged to raise funds and bring in additional cash resources to the Group as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

FINANCIAL REVIEW *(continued)*

Risk of fluctuations in exchange rates

As the Group operates in Hong Kong, the United States of America and the United Kingdom, all its assets and liabilities are denominated in Hong Kong dollar, the US dollar and pound sterling. The Group will monitor the foreign exchange exposures and take appropriate measures from time to time in order to minimise the Group's foreign exchange exposures. The Group holds a natural hedge on its foreign exchange exposure in pound sterling by way of the loan from an intermediate holding company to cover its equity investment in Ryder Court.

Capital commitments

The Group had a commitment of HK$24.7 million as at 31 December 2019 (31 December 2018: nil) in respect of capital expenditure to be incurred in the development of Chun Yeung Street Property.

Contingent liabilities and financial guarantees

The Group had no outstanding contingent liabilities and financial guarantees as at 31 December 2019 (31 December 2018: nil).

Pledge of assets

The Group's investment properties with a carrying value of HK$1,149.5 million at 31 December 2019 (31 December 2018: nil) were pledged to secure banking facilities of the Group.

Significant investments held, material acquisitions and disposals of subsidiaries and associates

Except for the Acquisitions and the HK Acquisition, there were no other significant investments held, material acquisitions or disposals of subsidiaries and associates during the year.

FINANCIAL REVIEW *(continued)*

Key performance indicators ("KPIs")

The Directors manage the business of the Group through a number of KPIs as below.

(i) Occupancy rate of the Regent Centre and Ryder Court

- Definition and calculation: Occupancy rate is a measure of leasing performance. It is defined as gross floor area that have been rented out as a percentage of total gross floor area available for renting.

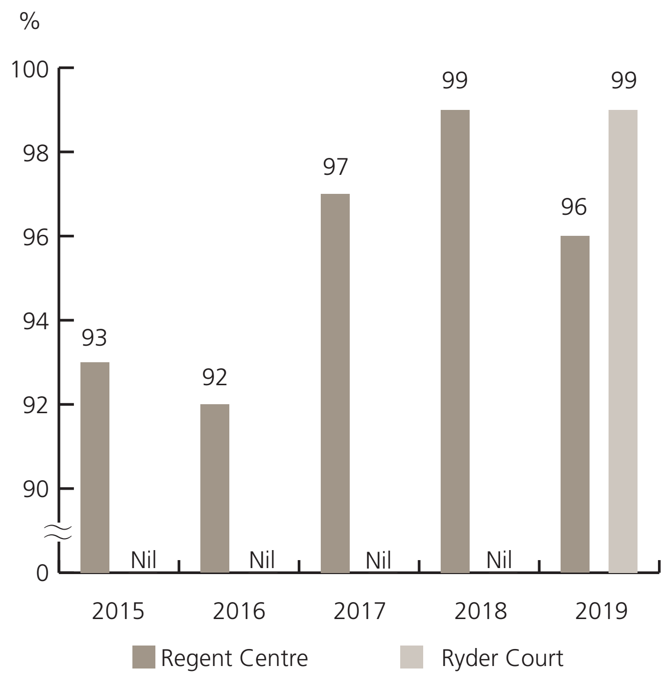
- Purpose: Occupancy rate is a key driver in maintaining revenue.

- Source of underlying data: Internal company data.

- Quantified KPI data: The graph below shows the year-end occupancy rate of (i) Regent Centre in the last five years (the "Relevant Period") and 2019, respectively — 2015: 93%; 2016: 92%; 2017: 97%; 2018: 99%; 2019: 96%; and (ii) Ryder Court since the Acquisitions in June 2019 — 2019: 99%.

- Development in 2019: The occupancy rate of Regent Centre dropped by 3% due to expiration of certain leases which have not been renewed.

Occupancy rate



- No changes have been made to the source of data or calculation methods used over the periods shown.

FINANCIAL REVIEW *(continued)*

Key performance indicators ("KPIs") *(continued)*

(ii) Passing rent of the Regent Centre and Ryder Court

- Definition and calculation: Passing rent is another measure of leasing performance. It is defined as the average rental rate of existing tenancies weighted by gross floor area.

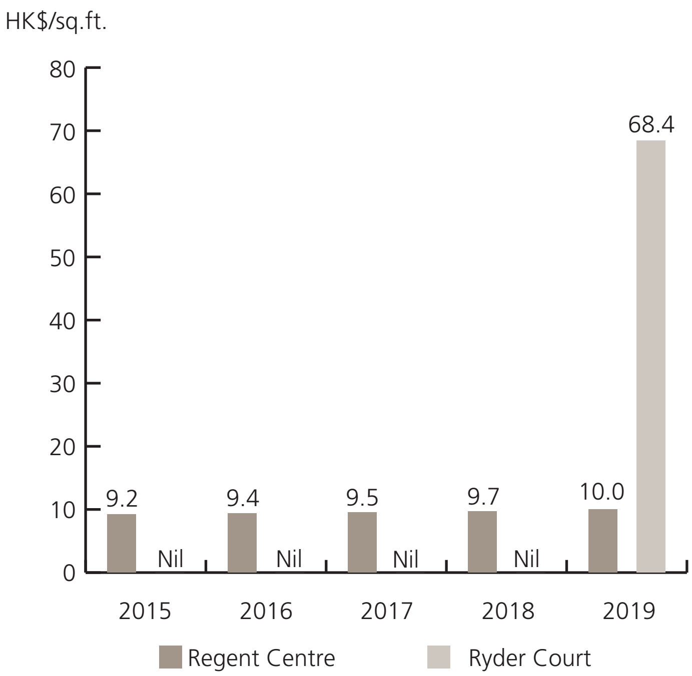
- Purpose: Passing rent is a key driver in achieving revenue growth.

- Source of underlying data: Internal company data.

- Quantified KPI data: The graph below shows the passing rent of (i) Regent Centre at the end of each financial years during the Relevant Period — 2015: HK$9.2 per sq. ft.; 2016: HK$9.4 per sq. ft.; 2017: HK$9.5 per sq. ft.; 2018: HK$9.7 per sq. ft.; 2019: HK$10.0 per sq. ft.; and (ii) Ryder Court at the end of the financial year since the Acquisitions in June 2019 — 2019: HK$68.4 per sq. ft.

- Development in 2019: The passing rent of Regent Centre has increased to match up with the rental rate in the market.

Passing rent



- No changes have been made to the source of data or calculation methods used over the periods shown.

FINANCIAL REVIEW *(continued)*

Key performance indicators ("KPIs") *(continued)*

(iii) Cost of services to revenue ratio

- Definition and calculation: Cost of services to revenue ratio measures the operation efficiency by expressing cost of services as a percentage of revenue.

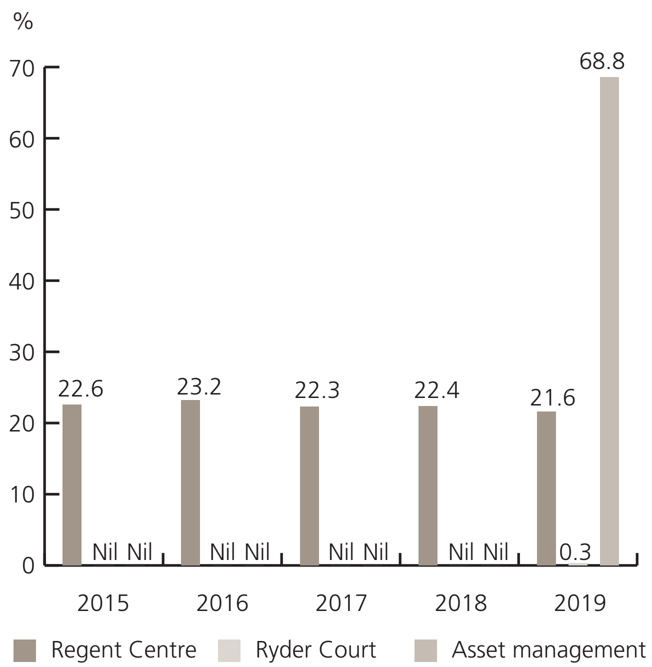
- Purpose: It is a cost control tool, which reflects the direct cost incurred in generating every dollar of revenue.

- Source of underlying data: Figures from the financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

- Quantified KPI data: The graph below shows the cost of services to revenue ratio for (i) Regent Centre during the Relevant Period — 2015: 22.6%; 2016: 23.2%; 2017: 22.3%; 2018: 22.4%; 2019: 21.6%; (ii) Ryder Court for the financial year since the Acquisitions in June 2019 — 2019: 0.3%; and (iii) asset management business for the financial year since the management services framework agreement which took effect on 30 June 2019 and was amended by a supplemental agreement which took effect on 1 November 2019 — 2019: 68.8%.

- Development in 2019: The cost of services to revenue ratio for Regent Centre has dropped slightly due to the decrease in repair and maintenance costs incurred in 2019.

Cost of services to revenue ratio



- No changes have been made to the source of data or calculation methods used over the periods shown.

FINANCIAL REVIEW *(continued)*

Key performance indicators ("KPIs") *(continued)*

(iv) Gearing ratio

- Definition and calculation: Gearing ratio is a measure of financial leverage, demonstrating the degree to which the Group's activities are funded by interest-bearing debts. It is calculated by first subtracting the bank balances and cash from total interest-bearing debts and then divided the figure by equity attributable to shareholders of the Company.

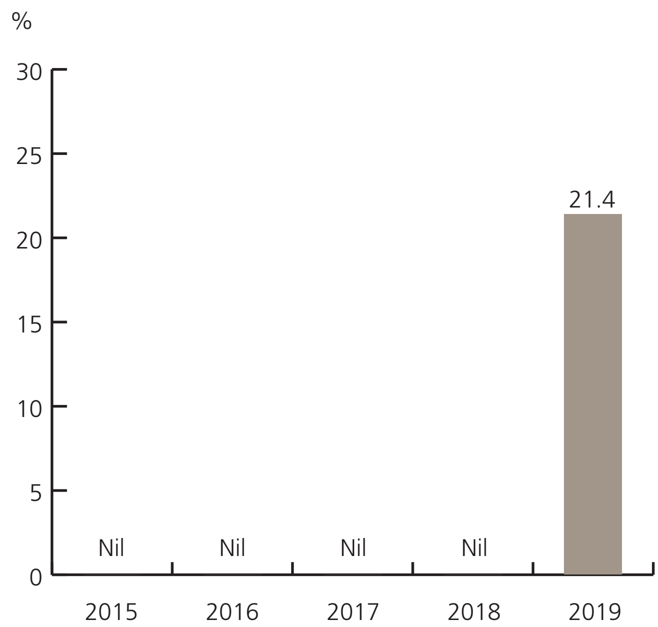
- Purpose: The Group carefully manages its gearing ratio to strike a balance of obtaining funds through debt financing while maintaining its financial health.

- Source of underlying data: Figures from the financial statements prepared in accordance with HKFRSs.

- Quantified KPI data: The graph shows below the gearing ratio of the Group at the end of each financial years during the Relevant Period — 2015: nil; 2016: nil; 2017: nil; 2018: nil; 2019: 21.4%.

- Development in 2019: While the Group has not had any interest-bearing debts in 2018, the Acquisitions and the financing obtained for the Group's property investment business in 2019 resulted in the increase of the gearing ratio from nil at 31 December 2018 to 21.4% at 31 December 2019.

Gearing ratio



- No changes have been made to the source of data or calculation methods used over the periods shown.

FINANCIAL REVIEW *(continued)*

Key performance indicators ("KPIs") *(continued)*

(v) Return on equity

- Definition and calculation: Return on equity measures the efficiency of the Group at generating profits from each dollar of shareholder equity. It is calculated by dividing profit attributable to shareholders of the Company by average shareholders' equity.

- Purpose: The Group aims to satisfy shareholders' expectation by delivering a stable return on equity.

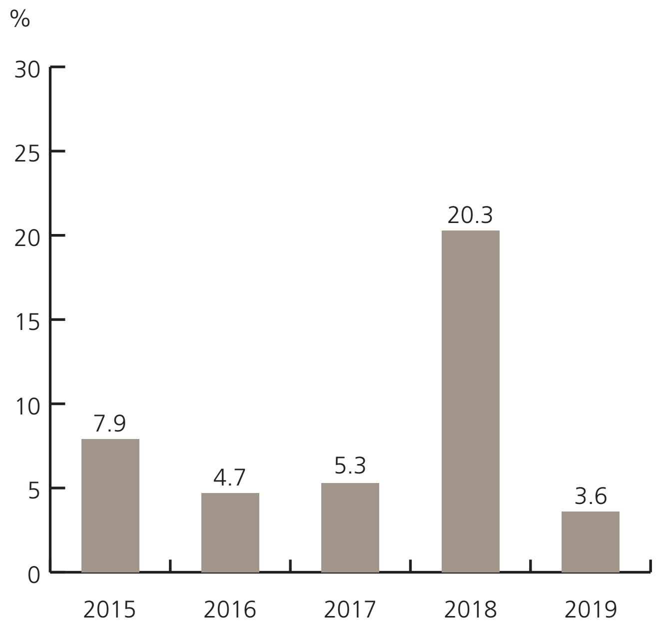
- Source of underlying data: Figures from the financial statements prepared in accordance with HKFRSs.

- Reconciliation of financial statement information: Average shareholders' equity = Weighted average of share capital and share premium during the year + (Opening balance of shareholders' other reserves plus closing balance of shareholders' other reserves)/2

- Quantified KPI data: The graph shows below the return on equity of the Group at the end of each financial years during the Relevant Period — 2015: 7.9%; 2016: 4.7%; 2017: 5.3%; 2018: 20.3%; 2019: 3.6%.

- Development in 2019: The return on equity of the Group decreased as a result of a significant decrease in share of profit of associates due to realisation of most of the profits from the TW6 project in 2018 when most of the units were handed over to the buyers and a significant decrease in fair value gain of the Group's investment properties in 2019.

Return on equity



- No changes have been made to the source of data or calculation methods used over the periods shown.

FINANCIAL REVIEW *(continued)*

Principal risks and uncertainties

The Group's businesses, results of operations, financial conditions and prospects are subject to risks and uncertainties, which may or may not be controllable by the Group. The factors below set out those risks and uncertainties, which in the opinion of the Directors principally affect the Group's businesses, results of operations, financial conditions or prospects. Such factors are by no means exhaustive. There may be other risks and uncertainties which are not identified for the time being or turn out to be material in the future.

(i) Economic conditions and property market in Hong Kong, the United Kingdom and the United States of America

Part of the Group's revenue and operating profit are derived from the leasing of the properties in Hong Kong and London, the United Kingdom. The Group also shares results of the Mission Street Group which owns a property in San Francisco, the United States of America. As a result, the performance of the Group is susceptible to the economic conditions in Hong Kong, the United Kingdom and the United States of America, particularly the performance of the property market. Any adverse changes in the social, political, economic and legal environments in the relevant markets, unfavorable government policies on the property market, increase in supply of properties, global financial crisis or interest rate hikes may adversely affect the relevant property market. These are beyond the control of the Group and, may adversely affect the revenue and profitability of the Group and thus the value of the Group's properties.

(ii) Business partners

The leasing and management of the units and car parking spaces in Regent Centre and the leasing and management of the office premises in Ryder Court are conducted by independent service providers under close supervision of the Group's management. However, there can be no assurance on the performance of the leasing agent and the property managers. Any unsatisfactory performance of the leasing agent and the property managers may potentially lead to drop in property occupancy and passing rent, chances of improper property maintenance and/or repairs of damaged property facilities and increased tenant dissatisfaction, resulting in an adverse impact on revenue and profitability of the Group and thus the value of Regent Centre and Ryder Court.

In addition, our business partners may have economic or business interests or goals that are inconsistent with those of the Group, take action contrary to the Group's policies and objectives, be unable or unwilling to fulfil their contractual obligations or cease to provide services out of their own accord. These may result in an adverse impact on the Group's businesses, results of operations, financial conditions or prospects.

(iii) Financial resources to fund property acquisitions

Property development and property investment are capital intensive. The Group's ability to obtain funding for property acquisition and development is dependent on a number of factors such as general economic conditions, the Group's financial performance, willingness of banks to lend and/or investors to invest and monetary policies in Hong Kong, the United Kingdom and the United States of America, which are predominately beyond the control of the Group. As a result, there can be no assurance that the Group will obtain funding from the capital or debt markets on commercially reasonable terms or at all. This may potentially lead to increased funding costs and perhaps an inability to capitalise on potential investment opportunities.

(iv) Staff continuity

The operation of the Group will continue to be dependent on the services of its employees. Competition for skilled and experienced workforce is intense in the property industry. Any significant staff turnover with no suitable replacements being identified in a timely manner may cause disruption to the Group's businesses. The ability of the Group to expand may also be hindered if the Group is unable to identify, hire, train and retain suitably skilled and qualified employees for its businesses.

FINANCIAL REVIEW *(continued)*

Principal risks and uncertainties *(continued)*

(v) Reputation risk

The Group may be involved from time to time in dispute with various parties in the development, leasing and management of the Group's properties, including contractors, suppliers, property managers, tenants and the joint venture partner. The operation of the Group is also subject to compliance of applicable external rules, regulations, laws and standards. Any non-compliance with law or dispute with stakeholders may potentially result in damage to the Group's reputation, disruption to the Group's businesses, financial loss and diversion of resources and management attention.

(vi) Competing interests

At present, China Vanke has two investment platforms for its property businesses in Hong Kong, the United Kingdom and the United States of America, namely (a) the Group, in which China Vanke has an indirect shareholding interest of 75%, and (b) VPHK, in which China Vanke has an indirect shareholding interest of 100%. Both Mr. Zhang Xu and Ms. Que Dongwu, Executive Directors of the Company (the "Executive Directors"), are executives of China Vanke and also directors of VPHK. Mr. Chan Chi Yu, a non-executive Director of the Company ("Non-Executive Director"), is closely connected to China Vanke, including being the director of certain subsidiaries and affiliates of China Vanke. Each of Mr. Lee Kai-Yan and Ms. Lin Lily, each an Executive Director, is connected to China Vanke by virtue of his/her current position as a director of certain subsidiaries of China Vanke. As a result, the Group and VPHK may compete with each other in their property businesses in Hong Kong, the United Kingdom and the United States of America.

The Group has formulated a risk management policy having considered the requirements regarding internal control contained in the Corporate Governance Code contained in Appendix 14 of the Listing Rules ("CG Code") requirements. A risk management system has been established to provide the Board of Directors and the management an effective oversight of the risks the Group is facing, promote accountability across the organisation and ensure efficient controls are in place to mitigate the top risks the Group is facing. Key risk indicators have also been established for the purpose of enhancing the Board's oversight of key risk exposures, monitoring changes in the levels of risk exposure and contributing to the early warning signals that enable the Company to report risks, prevent crises and mitigate in time.

Environmental policies

The Group is committed to build a better environment by adopting an environmental-friendly approach in its business operation. The Group is committed to comply with all applicable environmental laws and regulations in conducting its business. The Group aims to reduce emissions and use of resources in its operation through the following:

(i) Enhancing the efficiency of use of resources in the Group's business operation;

(ii) Adopting the use of energy-efficient equipment across the Group's properties and offices;

(iii) Encouraging employees to minimise their daily use of resources such as electricity;

(iv) Engaging tenants to adopt environmental-friendly initiatives to minimise their use of resources such as water and electricity consumption;

(v) Providing support to tenants on environmental-friendly practices, for example, provision of recycling facilities;

(vi) Encouraging contractors and/or service providers to adopt environmental-friendly practices in their design, services and products;

FINANCIAL REVIEW *(continued)*

Environmental policies *(continued)*

(vii) Undertaking property development projects which is conducive to environmental protection and to obtain environmental certification such as BEAM Plus, LEED, China GBL, and other equivalent green building labels, where practicable; and

(viii) Encouraging responsible investment by taking sustainability considerations into the Group's investment decisions, where practicable.

The Group favours service providers, contractors, suppliers and business partners who follow environmental-friendly practices in providing their design, services and products and will continue to promote environmental awareness among the Group's key stakeholders, including tenants, business partners, shareholders and employees, through ongoing communication and engagement.

During the year, the Group was not aware of any environmental laws or regulations that might have a material impact on the property rental and management business of the Group or any non-compliance with any relevant environmental laws that might have a significant impact on the businesses of the Group.

Compliance with laws and regulations

During the year, the Group was not aware of any non-compliance with any relevant laws and regulations that might have a significant impact on the businesses of the Group.

Relationship with suppliers, customers and employees

Suppliers

The Group appoints external service providers in respect of the leasing and management of its owned premises and car parking spaces in Regent Centre (the "Property Managers"). Common areas and common facilities in Regent Centre are managed by an independent third party estate manager (the "Estate Manager") pursuant to a deed of mutual covenant and management agreement dated 24 March 1997. The Property Managers and the Estate Manager are familiar with the tenancy and property management affairs in Regent Centre, as they have been entrusted with such responsibilities since completion of development of the project in 1996. Relationship with the Property Managers and the Estate Manager dated back to July 2012 when China Vanke became the controlling shareholder of the Company. The Group works closely with the Property Managers and the Estate Manager on all tenancy and property management affairs, including sourcing and assessment of tenants, rental receivable management and general property maintenance. In addition, regular meetings are held to facilitate two-way communications.

Vanke Overseas UK Management Limited, an indirect 80%-owned subsidiary of the Company, has acted as the asset manager of Ryder Court (the "RC Asset Manager") since acquisition in 2016. Common areas and facilities are managed by an independent third party property manager (the "RC Property Manager"). The RC Asset Manager focuses on all major strategies and initiatives such as leasing (terminations, renewals, identification of new tenants) and capital improvements, whereas the RC Property Manager provides staff on site and manages general property accounting and maintenance. In addition, regular meetings are held between the RC Asset Manager and RC Property Manager to maintain constant communication/alignment of tasks.

FINANCIAL REVIEW *(continued)*

Relationship with suppliers, customers and employees *(continued)*

Customers

The tenants in Regent Centre are the Group's key customers. The Group is committed to provide quality services to its customers. During the year, the Group maintained active dialogue with the Property Managers and the Estate Manager and carried out independent customer satisfaction survey on all aspects of property management and leasing affairs in Regent Centre. A customer service hotline has also been established for the tenants of Regent Centre to voice its comments, feedback and complaints to the Group.

The tenants of Ryder Court are also the Group's key customers. The Group, through its ownership of the RC Asset Manager, maintains active dialogue with the tenants at both quarterly tenant meetings as well as any other necessary discussions that need to take place on an ad hoc basis.

The key customers from the provision of asset management services are the subsidiaries of China Vanke. With the established relationship with China Vanke, the Group continues to be the core asset management service provider of China Vanke.

Employees

The Group values its employees and encourages its staff to achieve a good work-life balance. Staff turnover rate was 11% in 2019 (2018: 89%). The decrease in the staff turnover rate is mainly attributable to the joining of the relevant management personnel from offices located in Hong Kong, the United Kingdom and United States of America. The average length of services of the employees in the Group, since the change of controlling shareholder of the Company to China Vanke in July 2012, was 0.4 years (31 December 2018: 2.6 years) as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICY

The Group had 91 employees as at 31 December 2019 (31 December 2018: 3). As a result of the increase in the number of employees, there was an increase in staff costs (including Directors' emoluments) to approximately HK$50.1 million (2018: HK$5.4 million) during the year.

VPHK provides administrative and management support to the Group on a cost basis. During the year, total fee payable to VPHK in relation to administrative and management support to the Group amounted to approximately HK$5.1 million (2018: HK$2.2 million) during the year, with the increase mainly attributable to the increase in the number of employees in Hong Kong.

The Executive Directors periodically review the adequacy of the staffing of the Group by reference to the Group's business requirements. Should there be employees recruited under the Group, their remuneration and benefit packages will be structured on market terms with regard to individual responsibility and performance. All eligible employees in Hong Kong are enrolled to a defined mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

OUTLOOK

It is expected that 2020 will be another year filled with uncertainties, as a result of the outbreak of coronavirus disease 2019 (COVID-19), the slowing growth of global economy, the presidential election of the United States of America, the phase-two trade deal between the US and China and the negotiations following the Brexit event between the European Union and the United Kingdom. Above all, while the various countries and the global population are actively fighting against the COVID-19 epidemic, it is uncertain how it will impact the global economy in the near future. All of these uncertainties have brought and is expected to bring certain level of impact on the markets which the Group operates in.

OUTLOOK *(continued)*

The Group is financially healthy and with appropriate cost management, the Group is prepared for any the economic pressure that may arise from the aforesaid uncertainties. Besides, the Group believes uncertainties create opportunities — the Group will keep an eye on investment opportunities, including those in other real estate markets in the world, which have good development and investment potential with the objective of being open-minded about new opportunities for growth and expansion of the Group's business and value creation for the Shareholders as a whole.

The Group's investment properties in Hong Kong and London, Regent Centre and Ryder Court, are expected to maintain the occupancy rates and passing rents in 2020. In addition, the Group's investment instruments and asset management business are expected to generate stable revenue and profits in 2020.

FINAL DIVIDEND

Dividend Policy

The Company adopts a general dividend policy that aims to provide shareholders of the Company with a reasonable dividend payout to the extent practicable.

In proposing the final dividend, the Board has taken into account, inter alia:

- the Group's actual and expected financial performance;
- the interests of the Shareholders as a whole;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- any restrictions on payment of dividends by the Company to its Shareholders or by the Company's subsidiaries to the Company;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- possible effects on the Group's creditworthiness;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- other factors that the Board deem appropriate.

Any dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the exclusive benefit of the Company until claimed subject to and in accordance with the Company's Articles of Association. Any dividends unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company subject to and in accordance with the Company's Articles of Association.

FINAL DIVIDEND *(continued)*

Recommendation

The Directors recommend the payment of a final dividend of HK$0.09 per share (2018: HK$0.09 per share). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 22 May 2020 (the "**2020 AGM**"), the final dividend will be payable to the shareholders on or about 10 June 2020.

On behalf of the Board

Zhang Xu
Chairman and Executive Director

Hong Kong, 13 March 2020

Report of the Directors

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The names, particulars and principal activities of its subsidiaries are set out on pages 101 to 102 of the Annual Report.

BUSINESS REVIEW

A discussion and analysis of the Group's performance, including a discussion of the principal risks and uncertainties facing the Group, can be found in the Management Discussion and Analysis set out on pages 5 to 21 of the Annual Report. The discussion and analysis forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 50 and the consolidated statement of profit or loss and other comprehensive income on page 51 of the Annual Report.

During the board meeting on 13 March 2020, the Directors recommended a final dividend for the year ended 31 December 2019 of HK$0.09 per share totalling approximately HK$35,058,000 (2018: HK$0.09 per share totalling approximately HK$35,058,000), which will be payable on or about 10 June 2020 if approved by the shareholders at the 2020 AGM.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 of the Annual Report and note 22(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the balance in the share premium account is distributable. Accordingly, total distributable reserves of the Company amounted to HK$1,365,912,000 (2018: HK$1,378,656,000) as at 31 December 2019.

CHARITABLE DONATIONS

No charitable donations was made by the Group during the year (2018: nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Zhang Xu *(Chairman)*
Que Dongwu *(Chief Executive Officer)*
Lee Kai-Yan (re-designated from non-executive director with effect from 15 August 2019)
Lin Lily (re-designated from non-executive director with effect from 15 August 2019)

Non-Executive Director

Chan Chi Yu

Independent Non-Executive Directors

Chan Wai Hei, William
Law Chi Yin, Cynthia
Shium Soon Kong (resigned with effect from 28 February 2019)
Zhang Anzhi (appointed with effect from 1 March 2019)

Mr. Chan Wai Hei, William and Ms. Law Chi Yin, Cynthia retired pursuant to Article 116 of the Company's Articles of Association and were re-elected as directors of the Company at the annual general meeting of the Company held on 6 June 2019 (the "2019 AGM"). Mr. Lee Kai-Yan, Ms. Lin Lily and Mr. Zhang Anzhi retired pursuant to Article 99 of the Company's Articles of Association and were re-elected as directors of the Company at the 2019 AGM.

Pursuant to Article 116 of the Company's Articles of Association, Mr. Zhang Xu, Ms. Que Dongwu and Mr. Chan Chi Yu will retire by rotation at the 2020 AGM and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2019, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in associated corporations

Name of Director	Name of associated corporation	Type of shares	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives	Total interests	Percentage of issued share capital
Zhang Xu	China Vanke	A shares	904,039	–	–	–	–	904,039 *(Note 1)*	0.0093%
Que Dongwu	China Vanke	A shares	60,700	–	–	–	–	60,700 *(Note 1)*	0.0006%
Chan Chi Yu	China Vanke	H shares	–	–	500,203	–	–	500,203 *(Note 1)*	0.0317%
Lee Kai-Yan	Vanke US Management LLC ("Vanke US")	Ordinary	–	–	20%	–	–	20% *(Note 2)*	20%
Lin Lily	Vanke Overseas UK Management Limited	Ordinary	490	–	–	–	–	490	9.8%
	Lithium Topco Limited	Ordinary	–	–	521	–	–	521 *(Note 3)*	0.0521%
	Lithium Topco Limited	Preference	–	–	95	–	–	95 *(Note 3)*	0.0551%

Notes:

1. *The total number of ordinary A shares of China Vanke in issue as at 31 December 2019 was 9,724,196,533 and the total number of ordinary H shares of China Vanke in issue as at 31 December 2019 was 1,577,946,468. The percentage of issued share capital shown above is calculated based on the number of issued shares in the relevant class alone, without taking into account the issued share capital of the other classes.*

2. *Mr. Lee Kai-Yan has 49% membership interest in Minerva US LLC, which in turn has 20% membership interest in Vanke US. Accordingly, Minerva US LLC is a controlled corporation of Mr. Lee Kai-Yan and Mr. Lee Kai-Yan is deemed interested in Vanke US.*

3. *The total number of ordinary shares and preference shares of Lithium Topco Limited in issue as at 31 December 2019 was 1,000,000 and 172,494, respectively. Ms. Lin Lily has approximately 34.7% interest in Valliance Capital Europe LP which in turn owns 521 ordinary shares and 95 preference shares in Lithium Topco Limited. Accordingly, Valliance Capital Europe LP is a controlled corporation of Ms. Lin Lily and Ms. Lin Lily is deemed interested in the shares in Lithium Topco Limited.*

All the interests in the shares disclosed under this section represent long position in the shares of the associated corporations of the Company. Save as disclosed herein, as at 31 December 2019, none of the Directors or any of their spouses or children aged under eighteen years of age had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a business partnership scheme adopted by China Vanke in 2014, certain employees of the China Vanke Group have been admitted as business partners entrusting part of their bonuses into a collective account (the "collective bonuses") for investment management by Shenzhen Yang'an Financial Advisory Limited, including the introduction of leveraged finance for investment. All business partners in the scheme have undertaken that the collective bonuses and derivative assets will be centralised under closed-end management, without any payment to specific individuals, before the release of the contingent obligation requiring the return of the collective bonuses. An investment management and holding agreement was executed by all business partners. Mr. Zhang Xu, Ms. Que Dongwu, Mr. Lee Kai-Yan and Ms. Lin Lily are beneficiaries in the scheme.

Save for the above, at no time during the year was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company and its subsidiaries did not have any share option scheme in force during the year.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO (the "Register") shows that as at 31 December 2019 the Company has been notified of the following interests or short positions in the shares of the Company:

Name of substantial shareholder	Long position/ short position	Capacity of interest	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke *(Note 1)*	Long position	Held by controlled corporations	292,145,949	75.0%
CITIC Securities Company Limited *(Note 2)*	Long position	Held by controlled corporations	30,080,000	7.72%

Notes:

1. *As recorded in the Register, the 292,145,949 ordinary shares of the Company are held by China Vanke through Wkland Investments Company Limited, which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments Company Limited is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of VPHK. VPHK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.*

2. *As recorded in the Register, the 30,080,000 ordinary shares of the Company are held by CSI Capital Management Limited, which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a direct wholly-owned subsidiary of CITIC Securities Company Limited.*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained the percentage prescribed under the Listing Rules of the Company's shares in public hands as at the latest practicable date prior to the issue of this Annual Report.

INDEMNITY OF DIRECTORS

The Articles of Association of the Company provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the Company and its subsidiaries.

Save for the above, during the year ended 31 December 2019, the Company was not aware of any permitted indemnity provision in force for the benefit of one or more (existing or former) directors of the Company (whether entered into by the Company or not) or its associated companies (if made by the Company).

MANAGEMENT CONTRACTS

On 31 December 2018, the Group renewed the agreement relating to the sharing of administrative services with VPHK on a cost basis for a period of three years commencing from 1 January 2019, which is terminable by either party on giving no less than one month's notice. Total fees payable to VPHK for such services amounted to HK$5,149,000 for the year (2018: HK$2,211,000).

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in the section "Management Contracts", the Company entered into a contract with VPHK in relation to the sharing of administrative services on a cost basis. The Company is an indirect 75% owned subsidiary of VPHK, which in turn is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dongwu are directors of VPHK and each of them is an executive of and beneficially interested in the issued shares of China Vanke. Mr. Chan Chi Yu is beneficially interested in the issued shares of China Vanke.

Save as disclosed above, no contracts of significance were entered into between the Company or any of its subsidiaries and the Company's holding company or a subsidiary of the Company's holding company, nor were there any contracts of significance in relation to the Group's businesses in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Set out below is information disclosed pursuant to Rule 8.10(2) of the Listing Rules.

(a) The following Directors are also directors and/or officers of China Vanke and/or its subsidiaries and affiliates as set out in the table below.

Name of Director	Position held in China Vanke and/or its subsidiaries and affiliates
Zhang Xu	Executive Director and General Manager of Logistics Business Unit
Que Dongwu	Vice President and General Manager of Overseas Business Unit
Chan Chi Yu	Director of certain subsidiaries and affiliates of China Vanke
Lee Kai-Yan	Director of certain subsidiaries of China Vanke
Lin Lily	Director of certain subsidiaries of China Vanke

At present, the Group owns property development and property investment projects in Hong Kong, the United Kingdom and the United States of America. VPHK and its subsidiaries (excluding the Group) ("VPHK Group") also own property development and property investment projects in Hong Kong, the United Kingdom and the United States of America. Depending on circumstances, either the Group or VPHK Group participates in acquisitions of land or property development projects in Hong Kong from the Hong Kong Government or entities controlled by the Hong Kong Government through public auction or tender on a sole basis or by way of a joint venture arrangement with independent third parties, or acquire property development and property investment projects in Hong Kong, the United Kingdom and the United States of America on a sole basis or by way of a joint venture arrangement.

VPHK is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dongwu, both being executives of China Vanke, are common directors of the Company and VPHK. Mr. Chan Chi Yu is closely connected to China Vanke by virtue of his positions as a former director of China Vanke from May 1997 to April 2008 and a former consultant of China Vanke from April 2008 to April 2016 and his current position as director of certain subsidiaries and affiliates of China Vanke. Each of Mr. Lee Kai-Yan and Ms. Lin Lily is connected to China Vanke by virtue of his/her current position as a director of certain subsidiaries of China Vanke. Mr. Zhang Xu, Ms. Que Dongwu and Mr. Chan Chi Yu have beneficial interests in the issued shares of China Vanke.

Mr. Chan Wei Hei, William, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi, the Independent Non-Executive Directors, do not participate in the routine business of VPHK. The Independent Non-Executive Directors, with the assistance of the Company Secretary and the Chief Financial Officer of the Company, exercise due care and skills in ensuring that the Group is capable of carrying on its business at arm's length and independently from VPHK.

Save as disclosed above, the Directors are not aware of any other business of China Vanke which competes or is likely to compete, either directly or indirectly, with the Group's business.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

CONNECTED TRANSACTIONS

On 7 March 2019, Vanke UK Investment Company Limited, an indirect wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with VPHK, an intermediate holding company of the Company as seller, to acquire approximately 99.95% effective interest in Lithium Topco Limited, a company incorporated in the British Virgin Island ("BVI"), at a consideration of approximately GBP40,997,000 (equivalent to approximately HK$406,643,000). Lithium Topco Limited and its subsidiaries owns and operates Ryder Court and are principally engaged in property investment in the United Kingdom.

On 7 March 2019, Vanke US Investment Company Limited, an indirect wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with VPHK, an intermediate holding company of the Company, as seller, to acquire the entire issued share capital of 657–667 Mission Limited, a company incorporated in Cayman Islands, at a consideration of approximately US$20,111,000 (equivalent to approximately HK$157,096,000). 657–667 Mission Limited and its subsidiary and associates owns 45% effective interest in Mission and are principally engaged in property investment in the United States of America.

On 7 March 2019, Vanke US Investment Company Limited, an indirect wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with Chogori Investment (Hong Kong) Limited, a fellow subsidiary of China Vanke (a controlling shareholder of the Company) and as seller, to acquire the entire issued share capital of Supreme J Limited, a company incorporated in Cayman Islands, at an aggregate consideration of approximately US$66,927,000 (equivalent to approximately HK$522,798,000). Supreme J Limited is principally engaged in the participation in 49% effective interest in the Investment Instruments.

On 29 August 2019, Vanke Hong Kong Investment Company Limited, an indirect wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with Wkinv HK Holdings Limited, a subsidiary of VPHK and as seller, to acquire (i) approximately 99.89% issued share capital in V-Win Achieve Limited ("V-Win"), a company incorporated in BVI; and (ii) the shareholder's loan due by V-Win and its subsidiary (the "V-Win Group") to VPHK, at a consideration of HK$595,341,000. The V-Win Group owns the entire interest in the Chun Yeung Street Property and is principally engaged in property redevelopment in Hong Kong.

For details of the said transactions, please refer to the Company's announcements dated 8 March 2019 and 29 August 2019 and circulars dated 21 May 2019 and 30 September 2019.

CONTINUING CONNECTED TRANSACTIONS

On 7 March 2019, Vanke Overseas Management Holding Company Limited ("VOI Management Holding"), Vanke Overseas UK Management Limited ("VOI UK") and Vanke US Management LLC ("VOI US", together with VOI UK and VOI Management Holding collectively, the "VOI Parties") and Vanke Holdings USA LLC ("Vanke US"), VPHK and Chogori Investment (Hong Kong) Limited ("Chogori", together with Vanke US and VPHK, collectively the "VPHK Parties") entered into a management services framework agreement, which took effect on 30 June 2019 and pursuant to which the Group would provide overseas asset management services to VPHK and certain of its subsidiaries (including other subsidiaries of China Vanke which may become interested in any real estate development and/or investment projects in the United States of America and the United Kingdom).

On 29 August 2019, the VOI Parties, Vanke Holdings (Hong Kong) Company Limited ("VOI HK") and the VPHK Parties entered into a supplemental management services framework agreement (together with the management services framework agreement, the "CCT Agreements"), which took effect on 1 November 2019 and pursuant to which the Group would extend the scope of services under the management services framework agreement to also provide Hong Kong asset management services to VPHK and certain of its subsidiaries (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong).

Each of the VOI Parties and VOI HK is a subsidiary of the Company. VPHK, an indirect wholly-owned subsidiary of China Vanke, is an intermediate holding company of the Company. Each of the VPHK Parties is an indirect wholly-owned subsidiary of China Vanke. Therefore, each of the VPHK Parties is a connected person of the Company under Chapter 14A of the Listing Rules.

The annual cap for the transactions under the CCT Agreements for the year ended 31 December 2019 was HK$105 million. During the year ended 31 December 2019, the Group generated revenue of approximately HK$82.9 million from the transactions under the CCT Agreements.

For details of the CCT Agreements, please refer to the Company's announcement dated 8 March 2019 and circular dated 21 May 2019 and the Company's announcement dated 29 August 2019 and circular dated 30 September 2019 relating to the CCT Agreements.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the transactions contemplated under the CCT Agreements for the year ended 31 December 2019 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's 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 an unqualified letter containing findings and conclusion according to Rule 14A.56 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Sales	Purchases
The largest customer	33.0%	
Five largest customers in aggregate	64.8%	
The largest supplier		22.7%
Five largest suppliers in aggregate		29.9%

At no time during the year have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

BANK LOANS AND OTHER BORROWINGS

The Group had outstanding bank loans and other interest-bearing borrowings of HK$1,258.0 million (2018: nil) as at 31 December 2019.

PROPERTIES

Particulars of the properties and property interests of the Group as at 31 December 2019 are set out on page 103 of the Annual Report.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material event that have occurred since the end of the financial year ended 31 December 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of the Annual Report.

AUDITOR

The financial statements have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2020 AGM.

On behalf of the Board

Zhang Xu
Chairman and Executive Director

Hong Kong, 13 March 2020

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2019, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

As disclosed in the Company's announcement dated 13 February 2019, Mr. Zhang Xu and Ms. Que Dongwu have been appointed as Chairman and Chief Executive Officer respectively on 13 February 2019. This code provision has been complied with since 13 February 2019.

Code provision F.1.3

Code provision F.1.3 stipulates that the company secretary should report to the board chairman and/or the chief executive.

The Company Secretary has reported to the Board Chairmen and the Chief Executive Officer since 13 February 2019. This code provision has been complied with since 13 February 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2019. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the CG Code) in respect of their dealings in the securities of the Company. The Board reviews and monitors the compliance of such codes and guidelines periodically.

THE BOARD

The Board is responsible for determining the overall strategies and policies and approving the business plan of the Group, and ensuring the Group's business operations are properly planned, authorised, undertaken and monitored. The implementation of strategies and policies and day-to-day operations of the Group's business are delegated to the management led by the Executive Directors. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decision. The principal functions of the Board are:

- to determine the overall objectives, strategies, policies and business plan of the Group;
- to monitor and control operating and financial performance;
- to approve major funding, investment and divestment proposals;
- to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- to approve the nominations of directors and appointment of key personnel; and
- to assume responsibility for corporate governance.

Board Composition: As at the date of this report, the Board comprises four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Executive Directors:
Mr. Zhang Xu
Ms. Que Dongwu
Mr. Lee Kai-Yan
Ms. Lin Lily

Non-Executive Director:
Mr. Chan Chi Yu

Independent Non-Executive Directors (in alphabetical order):
Mr. Chan Wai Hei, William
Ms. Law Chi Yin, Cynthia
Mr. Zhang Anzhi

Biographical details of the Directors, and the relationship (if any) among them, are set out on pages 3 to 4 of this Annual Report. Non-Executive Director and Independent Non-Executive Directors provide the Board with diversified skills, expertise and experience. An updated list of the Directors identifying their roles and functions is available on the websites of the Company and the Stock Exchange.

Appointment, re-election and removal of Directors: Each of the Directors has entered into a letter of appointment with the Company for a specific term, out of which all Non-Executive Directors (including Independent Non-Executive Directors) are appointed for terms of three years. His/her directorship is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Board may from time to time and at any time appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then eligible for re-election. In addition, the Directors are to retire at the annual general meeting of the Company once every three years.

THE BOARD *(continued)*

Independent Non-Executive Directors: The Company has three Independent Non-Executive Directors, which meets the requirements under the Listing Rules that at least one third of the Board comprises independent non-executive directors. Mr. Chan Wai Hei, William possesses the appropriate qualification in accounting. Each of the Independent Non-Executive Directors had confirmed his/her independence with the Stock Exchange and has provided an annual confirmation of his/her independence to the Company pursuant to Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors has served the Company for more than nine years. Based on the Nomination Committee's assessment, the Board considers that all the existing Independent Non-Executive Directors are independent.

Board Meetings: Regular meetings are scheduled in advance to facilitate the maximum attendance. Five board meetings were held during the year ended 31 December 2019 and the attendance of each Director is set out in the section headed "Attendance at Meetings" of this report. In addition, a board meeting was held on 13 March 2020 for the purpose of, amongst other things, approving the Group's audited financial statements and announcement of results and recommending a final dividend for the year ended 31 December 2019.

INDUCTION, UPDATES AND TRAINING

Each newly appointed Director will be given an induction regarding the governance policies of the Company, businesses and operation of the Group as well as their duties and responsibilities under the statute and common law and relevant rules and regulations. Monthly updates are provided to the Directors for the purpose of giving them a balanced and understandable assessment of the Group's performance, position and prospects. Directors have participated in continuing professional development to develop and refresh their knowledge and skills. Each Director is required to submit his/her training record to the Company on an annual basis. The Company Secretary will also assist the Directors to fulfill the training requirement by keeping the Directors notified on details of the relevant seminars and training courses from time to time. The Board also reviews and monitors the training and continuous professional development of the Directors periodically. A summary of training record received by the Directors for the year ended 31 December 2019 is set out as follows:

	Reading materials and/or updates relating to corporate governance and businesses of the Group	Attending training courses, seminars and/or forums	Receiving briefings from the Chief Financial Officer & the Company Secretary
Name of Director			
Executive Directors			
Zhang Xu	✓	✓	✓
Que Dongwu	✓	✓	✓
Lee Kai-Yan	✓	✓	✓
Lin Lily		✓	✓
Non-Executive Director			
Chan Chi Yu	✓	✓	✓
Independent Non-Executive Directors			
Chan Wai Hei, William	✓	✓	✓
Law Chi Yin, Cynthia	✓	✓	✓
Zhang Anzhi (appointed with effect from 1 March 2019)		✓	✓

REMUNERATION OF DIRECTORS

Details of the remuneration of Directors are set out in note 7 to the financial statements in this Annual Report.

Principles of Remuneration Policy:

The major principles of the Group's remuneration policy are:

- no individual is involved in determining his/her own remuneration;
- remuneration should align with those offered for comparable position by comparable companies of similar size and business scope in the market; and
- remuneration should reflect work complexity, time commitment, responsibility and performance (both financial and qualitative) with a view to attracting, motivating and retaining high performers.

Remuneration of Executive Directors: Each of the Executive Directors received a fee of HK$200,000 per annum for being a director of the Company. No other remuneration is payable to the Executive Directors for the time being except for Mr. Lee Kai-Yan and Ms. Lin Lily. With effect from 30 June 2019, the employments of Mr. Lee Kai-Yan and Ms. Lin Lily were transferred to the subsidiaries of the Company. Total remuneration paid to Mr. Lee Kai-Yan and Ms. Lin Lily for the year ended 31 December 2019 amounted to approximately HK$3,466,000 (2018: nil) and approximately HK$2,126,000 (2018: nil), respectively.

Remuneration of Non-Executive Directors, including the Independent Non-Executive Directors: Each of the Non-Executive Directors received a fee of HK$150,000 per annum for being a director of the Company. Each of the Independent Non-Executive Directors received a fee of HK$200,000 per annum for being a director of the Company with effect from 15 August 2019. The Non-Executive Director and all Independent Non-Executive Directors are entitled to an allowance of HK$10,000 for attending each meeting in person and an allowance of HK$5,000 for attending each meeting by phone or video conference. No other remuneration is payable to the Non-Executive Directors or the Independent Non-Executive Directors for the time being.

None of the Directors has waived or agreed to waive any remuneration for the year.

Remuneration Committee: The Company established a Remuneration Committee with written terms of reference on 1 April 2005. The current committee is chaired by Mr. Zhang Anzhi, an Independent Non-Executive Director, and comprising a majority of the Independent Non-Executive Directors. The other members of the committee are Mr. Chan Wai Hei, William, an Independent Non-Executive Director, and Ms. Que Dongwu, an Executive Director.

The principal duties and functions of the Remuneration Committee are:

- to make recommendations to the Board regarding the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to determine the specific remuneration packages of all Executive Directors and senior management;
- to make recommendations to the Board of the remuneration of Non-Executive Directors; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

For the remuneration of the Executive Directors, the Remuneration Committee adopted the model described in code provision B.1.2(c)(i) of the CG Code.

The latest terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meetings for the year ended 31 December 2019 and a summary of work done of the Remuneration Committee include, among other things:

- reviewing the Company's policy and structure for all Directors' and senior management's remuneration; and
- determining the specific remuneration packages of all Directors and senior management for the year ended 31 December 2019 after considering and assessing the performances of the Directors and senior management.

The attendance of each member of the Remuneration Committee to its meeting is set out in the section headed "Attendance at Meetings" of this report.

NOMINATION OF DIRECTORS

The Board, through the Nomination Committee, reviews its structure, size, composition and diversity from time to time to ensure that it has the balance of skills and experience and independent element appropriate for the requirement of the Group's businesses.

Nomination Committee: The Company established a Nomination Committee with written terms of reference revised on 13 February 2019. The current committee is chaired by Ms. Law Chi Yin, Cynthia, an Independent Non-Executive Director, and comprising a majority of the Independent Non-Executive Directors. The other members of the committee are Mr. Zhang Anzhi, an Independent Non-Executive Director, and Mr. Zhang Xu, an Executive Director.

The principal duties and functions of the Nomination Committee are:

- to review the structure, size, composition and diversity of the Board and make recommendations to the Board regarding any proposed changes as and when necessary;
- to develop and maintain a policy for the nomination of Board members which includes the nomination procedures and the process and criteria adopted by the Committee to identify, select and recommend candidates for directorship during the year and review periodically and disclose in this report the policy and the progress made towards achieving the objectives set in the policy;
- to identify and nominate qualified individuals to the Board for appointment as additional Directors or to fill Board vacancies as and when they arise;
- to assess the independence of Independent Non-Executive Directors;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- to review the board diversity policy of the Board (the "Board Diversity Policy") and make disclosure of its review results in this report; and
- to conform to any requirement or direction that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law or regulation.

The latest terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Company adopted the Board Diversity Policy which was revised on 13 February 2019 and sets out the approach to achieve diversity on the Board. The policy is summarized as follows:

— in reviewing the Board's composition, the Nomination Committee will consider a number of aspects including skills, regional and industry experience, background, race, gender and other qualities of Directors and take into account such differences in determining the optimum composition of the Board;

— in identifying qualified individuals to become Board members, nomination of the individuals for Board approval will be made by the Nomination Committee based on merit while taking into account diversity (including but not limited to diversity in gender, age, cultural and educational background, professional experience, skills, knowledge and length of service); and

— the Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

Having considered the business needs of the Company, the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge, expertise, culture, independence, age and gender.

NOMINATION OF DIRECTORS *(continued)*

On top of the Board Diversity Policy, the Nomination Committee has also adopted a nomination policy (the "Nomination Policy") which sets out, inter alia, the selection criteria and procedure for selecting and recommending candidates for directorship during the year. The selection criteria used in assessing the suitability of a candidate include the candidate's character, skills, knowledge, experience and those criteria set out in Rule 3.08 of the Listing Rules. Where the candidate is appointed for the position of Independent Non-Executive Director, the Committee will also assess his/her independence with reference to the requirements set out in the Listing Rules. In the case of re-appointment of Director, the Nomination Committee would take into account factors such as contribution from the retiring Directors. The procedure of appointing and re-appointing a Director is summarised as follows:

- the Nomination Committee to identify potential candidates possibly with the assistance from external agencies and/or advisors;
- the Nomination Committee to evaluate candidates' suitability to become a member of the board based on the criteria set out in the Nomination Policy by means of interviews (or other ways);
- the Nomination Committee to nominate one or more qualified candidates for the Board's consideration;
- the Board to agree on a preferred candidate;
- the Chairman of the Board to negotiate terms of appointment with the preferred candidate; and
- the Chairman of the Board, in consultation with the chairmen of the Remuneration Committee and the Nomination Committee, finalises a letter of appointment for the Board's approval.

Any shareholder who wishes to nominate any person for election as a director at the Company's general meeting may make a written submission to the Company at its principal place of business in Hong Kong at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong containing such information as may be required within the period commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date of such meeting. The Nomination Committee will consider the suitability of the candidate on the basis of qualifications, experience and background. Details of the nomination procedures are available on the Company's website.

The Nomination Committee held two meetings for the year ended 31 December 2019 and a summary of work done of the Nomination Committee include, among other things:

- reviewing the structure, size, composition and diversity of the Board;
- assessing the independence of Independent Non-Executive Directors;
- reviewing and recommending the appointment of Mr. Zhang Anzhi as an Independent Non-Executive Director;
- recommending to the Board the re-designations of Mr. Lee Kai-Yan and Ms. Lin Lily from Non-Executive Directors to Executive Directors;
- recommending to the Board the appointment of Mr. Chan Wing Kit as Company Secretary, the Process Agent and the Authorised Representative;
- recommending to the Board the appointment of Ms. Yip Hoi Man as Chief Financial Officer;
- recommending to the Board the re-appointment of retiring Directors at the 2019 AGM after considering the Directors' contribution; and
- reviewing the disclosure of the Board Diversity Policy in the corporate governance report.

The attendance of each member of the Nomination Committee to its meetings is set out in the section headed "Attendance at Meetings" of this report.

ACCOUNTABILITY AND AUDIT

Financial Reporting: The Directors acknowledge their responsibilities for the preparation of financial statements which give a true and fair view, and to ensure that appropriate accounting policies are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditor of the Company has included a statement of its reporting responsibilities on the Group's financial statements in its Independent Auditor's Report on pages 46 to 49 of the Annual Report.

Risk management and internal control: The Board is responsible for overseeing the Group's risk management and internal control systems and for reviewing their effectiveness for each financial year at least annually. The Audit Committee supports the Board in monitoring the key risks to the Group and in the design and operating effectiveness of the Group's risk management and internal control systems. Management of the Group, comprising the Executive Directors and the Chief Financial Officer, assesses and presents to the Audit Committee on a regular basis its assessment of the key risks of the Group, the strengths and weaknesses of the overall internal control system, with action plan to address weaknesses being identified. The Group does not have an internal audit function in view of its small size and simplicity of operation. Instead, the Group engaged an independent consultant to carry out agreed testing procedures on the internal control system of the Group in a risk-focused manner.

The Group adopts a top-down as well as a bottom-up approach in identifying and assessing risks of the Group. Detailed risk registers and key risk indicators have been drawn up for each of the key risks being identified for evaluation and management of the relevant risks. Management is responsible to assess the key risks on an ongoing basis by reference to any changes in the external environment and the business model of the Group. Standard operating procedures with built-in controls such as authorizations and approvals, verifications, reconciliations and segregation of duties have been established governing the key operating activities of the Group. The Board and the Audit Committee are responsible for overseeing the monitoring activities of the Group's risk management and internal control systems. Internal control deficiencies, if any, are communicated in a timely manner to those parties responsible for taking corrective action, including management and the Board, as appropriate.

Risk management and internal control systems are designed for the purpose of managing rather than eliminating the risk of failure to achieve business objectives. As a result, the systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has conducted a review of the effectiveness of the risk management and internal control system of the Group. Based on the review and having considered the independent consultant's findings and recommendations, the management's assessment and recommendation from the Audit Committee, the Board is satisfied that the Group has maintained effective and adequate risk management and internal control systems during the year ended 31 December 2019. In addition, the Board is satisfied with the effectiveness of the Company's processes for financial reporting and Listing Rule compliance as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

Audit Committee: The Company established an Audit Committee with written terms of reference on 17 December 1998. The current committee is chaired by Mr. Chan Wai Hei, William, an Independent Non-Executive Director. The other members of the committee are Mr. Chan Chi Yu, a Non-Executive Director, and Ms. Law Chi Yin, Cynthia, an Independent Non-Executive Director.

The principal duties and functions of the Audit Committee are:

- to recommend to the Board the appointment, re-appointment and removal of the external auditor, to approve the remuneration and to assess the independence of the external auditor;
- to review the Group's interim and annual financial statements;
- to oversee the Group's financial reporting system;
- to oversee the Group's internal control and risk management systems; and
- to discuss issues arising from the audits and any matters raised by the external auditor.

ACCOUNTABILITY AND AUDIT *(continued)*

The latest terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee held three meetings during the year ended 31 December 2019 and a summary of work done of the Audit Committee include, among other things:

- review the half-yearly and annual results of the Group with management and the external auditor;
- review the accounting policies and practices adopted by the Group;
- consider policies and practices of the Company on corporate governance and make recommendations to the Board;
- recommend to the Board the re-appointment of KPMG as the external auditor;
- consider the independence and remuneration of the external auditor;
- discuss the external auditor's audit plan and findings;
- review reports on the Company's compliance with the CG Code and disclosures in this report;
- assess the effectiveness of the risk management and internal control systems for the Group;
- review reports in respect of risk management system for the Group; and
- review reports on the key risk indicators established by the Group for its top five risks.

The attendance of each member of the Audit Committee at its meetings is set out in the section headed "Attendance at Meetings" of this report.

AUDITORS' REMUNERATION

Remuneration in respect of audit and non-audit services provided by KPMG during the year ended 31 December 2019 is analysed as follows:

Services rendered:	**Remuneration** HK$'000
Audit services	4,090
Non-audit services	1,506

COMPANY SECRETARY

Ms. Lai Ivy acted as the Company Secretary of the Company until 15 August 2019. Ms. Lai was not an employee of the Group but was given access to Ms. Que Dongwu, an Executive Director from time to time in order to have an up-to-date knowledge about the Group's affairs.

Mr. Chan Wing Kit acted as the Company Secretary of the Company from 15 August 2019 to 12 December 2019. He was a full-time employee of the Group and had day-to-day knowledge of the Group's affairs. Mr. Chan reported to Ms. Que Dongwu.

On 12 December 2019, Ms. Yip Hoi Man was appointed as the Company Secretary of the Company. Ms. Yip has been a member of the Hong Kong Institute of Certified Public Accounts since 2007 and is currently the Chief Financial Officer of the Company. She is a full-time employee of the Group and had day-to-day knowledge of the Group's affairs. Ms. Yip reports to Ms. Que Dongwu.

INSIDE INFORMATION

The Group issues guidelines to its directors, officers and employees governing the disclosure of inside information as defined under Part XIVA of the Securities and Future Ordinance, Chapter 571. Unless the inside information falls within any of the safe harbors as permitted under the Securities and Future Ordinance, the Group is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner.

Where any director, officer or employee of the Group is aware of the existence of any potential inside information or information that may be material to the trading volume or price of the shares of the Company, he/she is required to inform a designated officer within the Group (the "Designated Officer"), who shall in consultation with professional advisers (if required), form a preliminary view as to whether the information should be regarded as inside information or any of the safe harbor provisions is applicable to the Company. The Designated Officer shall notify the Board on any information regarded as inside information and seek its approval to handle subsequent compliance matters.

All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will immediately disclose the information to the public as soon as reasonably practicable.

COMMUNICATION WITH SHAREHOLDERS

The Company adopted a shareholder communication policy on 28 March 2012 to promote effective communication of the Company with its shareholders. Information relating to the Group is mainly disseminated to the shareholders through publication of notices, announcements and circulars at the websites of the Company and the Stock Exchange and despatch of interim reports, annual reports and circulars to the shareholders. Annual general meetings and other general meetings are held in compliance with the Listing Rules' and legal requirements to provide a forum for shareholders to exchange their views with the Board. Directors will be present at the meeting to answer questions from shareholders.

On 6 June 2019, the 2019 AGM was held for the shareholders to consider and approve the results of the Group for the year ended 31 December 2018, the payment of a final dividend for the year ended 31 December 2018, the re-appointment of Mr. Lee Kai-Yan and Ms. Lin Lily as Non-Executive Directors, the re-appointment of Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi as Independent Non-Executive Directors, the re-appointment of the external auditor and the granting of a share issue mandate and a share repurchase mandate to the Board.

On 6 June 2019, an extraordinary general meeting of the Company was held for the shareholders of the Company to consider and approve the transactions contemplated under the sale and purchase agreements and the management services framework agreement dated 7 March 2019.

On 31 October 2019, another extraordinary general meeting of the Company was held for the shareholders of the Company to consider and approve the transactions contemplated under the sale and purchase agreement and the supplemental management services framework agreement dated 29 August 2019, and the revised annual caps for the three years ending 31 December 2019, 2020 and 2021, the change of company name from "Vanke Property (Overseas) Limited" to "Vanke Overseas Investment Holding Company Limited" and the dual foreign name of the Company in Chinese be changed from "萬科置業（海外）有限公司" to "萬科海外投資控股有限公司".

The attendance of each Director at the general meetings is set out in the section headed "Attendance at Meetings" of this report.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting (the "EGM") on requisition by shareholders

Under Article 72 of the Company's Articles of Association, general meetings could be convened by such requisitionists, as provided by Section 566 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"). In accordance with Section 566 of the Hong Kong Companies Ordinance, shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company which as at the date of the deposit carries the right of voting at general meetings of the Company, may require the Directors to convene an EGM. The written requisition must state the objects of the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned. If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of three months from the said date. The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Directors.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Board, whose contact details are as follows:

The Board of Directors
Vanke Overseas Investment Holding Company Limited
55th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong
Email: vkoverseas.ir@vanke.com
Fax: (852) 2328 8097

The Board and/or relevant board committees of the Company will consider the enquiries and concerns raised by the Shareholders and reply as appropriate.

Procedures for putting forward proposals at general meetings by shareholders

A shareholder who wishes to propose a resolution must requisition the convening of a general meeting in accordance with Article 72 of the Company's Articles of Association. The written requisition must be signed by the shareholder(s) concerned and deposited at the registered office of the Company.

Without prejudice to the foregoing, any shareholder who wishes to nominate any person for election as a director at the Company's general meeting shall make a written submission to the Company at its principal place of business in Hong Kong at Vanke Overseas Investment Holding Company Limited, 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong containing such information as may be required within the period commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date of such meeting. The Nomination Committee will consider the suitability of the candidate on the basis of qualifications, experience and background.

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

Other than the change of company name, there was no change in the Company's constitutional documents, being the Company's Memorandum and Articles of Association, during the year ended 31 December 2019.

The Company's Memorandum and Articles of Association are posted on the websites of the Company and the Stock Exchange.

ATTENDANCE AT MEETINGS

The attendance of individual Directors at the Board and Committee Meetings during the year ended 31 December 2019 is set out below.

Name of Director	Board Meetings (Attended/Held)	Remuneration Committee Meetings (Attended/Held)	Nomination Committee Meetings (Attended/Held)	Audit Committee Meetings (Attended/Held)
Executive Directors				
Zhang Xu	5/5	–	2/2	–
Que Dongwu	5/5	2/2	–	–
Lee Kai-Yan	5/5	–	–	–
Lin Lily	5/5	–	–	–
Non-Executive Director				
Chan Chi Yu	5/5	–	–	3/3
Independent Non-Executive Directors				
Chan Wai Hei, William	5/5	2/2	–	3/3
Law Chi Yin, Cynthia	5/5	–	2/2	3/3
Shium Soon Kong (resigned with effect from 28 February 2019)	1/1	1/1	1/1	–
Zhang Anzhi (appointed with effect from 1 March 2019)	4/4	1/1	1/1	–

The attendance of individual Directors at the general meetings of the Company during the year ended 31 December 2019 is set out below.

Name of Director	2019 AGM	EGM held on 6 June 2019	EGM held on 31 October 2019
Executive Directors			
Zhang Xu	✓	✓	
Que Dongwu	✓	✓	✓
Lee Kai-Yan	✓	✓	
Lin Lily	✓	✓	
Non-Executive Director			
Chan Chi Yu	✓	✓	✓
Independent Non-Executive Directors			
Chan Wai Hei, William	✓	✓	✓
Law Chi Yin, Cynthia	✓	✓	✓
Zhang Anzhi (appointed with effect from 1 March 2019)	✓	✓	✓

Environmental, Social and Governance Report

BASIS OF PREPARATION

This Environmental, Social and Governance ("ESG") Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") in Appendix 27 to the Listing Rules. The ESG Report includes the Company and all of its subsidiaries covering the period from 1 January to 31 December 2019. The Group has complies with the "Comply or Ex-plain" provisions set out in the ESG Guide for the year ended 31 December 2019.

BUSINESS OPERATION OF THE GROUP

During the year, the Group was principally engaged in asset management, property development and property investment activities in Hong Kong and overseas including London, San Francisco and New York.

REPORT BOUNDARY

The matters being dealt with in this report relate only to investment properties of the Group, which the Group has direct control, and asset management activities. During the year, the Group's investment properties comprised: (i) various portions of Regent Centre, which is an industrial property situated in Hong Kong; and (ii) approximately 99.95% effective interest in Ryder Court, which is an office and commercial property situated in London. The ESG aspects relating to the Group's investment properties and asset management activities fall within the report boundary.

ENVIRONMENTAL PROTECTION

The Group is committed to build a better environment by adopting an environmental friendly approach in our business operation.

Regular meetings are held with the estate managers for the purpose of ensuring, among other things, environmental compliance is being maintained through routine monitoring and inspection of the building facilities.

The Group's main emissions, being greenhouse gas ("GHG") emissions, and wastes produced by the Group are primarily attributable to its use of electricity, water and paper. The Group is not aware of any hazardous waste produced, other emissions (other than GHG emissions) nor packaging material used for finished products from the Group's operation.

Given the nature of the Group's business, the Group believes that its environmental impact and use of natural resources is minimal.

ENVIRONMENTAL PROTECTION *(continued)*

Electricity

The Group works in collaboration with the estate manager to reduce electricity use in Regent Centre by implementing green initiatives such as gradual replacement of lighting fixtures to LEDs in the common area in Regent Centre. The electricity consumption by the Group, being predominantly indirect energy consumption, was approximately 2,536,000 kWh (2018: 2,526,000 kWh) producing CO_2 equivalent GHG emissions of approximately 1,394.9 tonnes (2018: 1,389.3 tonnes) and an energy consumption intensity of approximately 73.1 kWh per square meter (2018: 72.8 kWh per square meter) during the year.

The RC Asset Manager is working in collaboration with the RC Property Manager to reduce the electricity used in Ryder Court by implementing green initiatives to be compliant with the BREEAM In-use "Excellent" accreditation. The electricity consumption by Ryder Court for the period from 1 July to 31 December 2019 was approximately 606,000 kWh producing CO_2 equivalent GHG emission of approximately 309.7 tonnes and an energy consumption intensity of approximately 63.4 kWh per square meter.

The electricity consumption by the Group's offices located in Hong Kong, the United Kingdom and United States of America during the year was approximately 39,607 kWh producing CO_2 equivalent GHG emission of approximately 21.8 tonnes and an energy consumption intensity of approximately 76.2 kWh per square meter.

Water

Regent Centre utilised a total of approximately 17,985 m^3 (2018: 19,762 m^3) of water with a water consumption intensity of approximately 0.5 m^3 per square meter (2018: 0.6 m^3 per square meter) during the year. Most of the water was consumed by tenants in Regent Centre and is therefore beyond the Group's direct control. However, tenants in Regent Centre have been encouraged to minimise their resource consumption. The Group also collects and monitors water consumption data from the estate manager.

For the period from 1 July to 31 December 2019, Ryder Court has utilised a total of approximately 5,708 m^3 of water, with a water consumption intensity of approximately 0.6 m^3 per square meter. Water is consumed solely by tenants of Ryder Court. The RC Asset Manager is exploring options to minimise water consumption to be proposed to tenants.

The Group's offices located in Hong Kong, the United Kingdom and United States of America utilised a total of approximately 194 m^3 of water with a water consumption intensity of approximately 0.4 m^3 per square meter during the year.

Paper

Recycling facilities are provided in Regent Centre. The estate manager collects, labels and stores recyclable paper for handling on a regular basis and ensures that the non-reusable or non-recyclable waste were disposed properly. During the year, paper of approximately 75,000 kg (2018: 69,000 kg) in total were recycled in Regent Centre.

Recycling facilities are provided in Ryder Court. A third party provider manages recycling and training has been offered to the restaurant tenant and the cleaning staff of the office tenants on how to manage waste streams correctly as well as the safe use of the recycling equipment. The RC Property Manager monitors the waste management strategy following the Health & Safety Audit review as well as tenant satisfaction around waste collection.

The Group encourages employees to re-use paper and conserve paper usage by printing double sided to the extent practicable. During the year, the Group used a total of approximately 200 kg (2018: 204 kg) of print paper in its normal business operation.

EMPLOYMENT

The Group promotes fair competition and prohibits discrimination against any employee on his/her gender, age, marital status, religion, race, nationality, disability or any status protected by law.

Equal opportunities principles are applied in all employment policies, in particular to recruitment, training, career development and promotion of employees. Remuneration and benefit packages of employees are structured in accordance with market terms with regard to individual responsibility and performance. All eligible employees are enrolled in a defined contribution mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

The Group values employee satisfaction and encourage its staff to provide feedback. The Group has channels such as a whistle blowing system in place for its employees to express grievances and complaints which will be dealt with fairly according to the predetermined procedures to ensure equality to all employees.

The Group prohibits the employment of child and forced labour. During the year, there were no reported instances on child or forced labour, nor were there any on discrimination or harassment incidents. Staff turnover rate was 11% in 2019 (2018: 89%). The decrease in the staff turnover rate is mainly attributable to the joining of the relevant management personnel from offices located in Hong Kong, the United Kingdom and United States of America. The average length of service of the employees in the Group, since the change of the controlling shareholder of the Company to China Vanke in July 2012, was 0.4 years as at 31 December 2019 (31 December 2018: 2.6 years).

HEALTHY AND SAFE WORKING ENVIRONMENT

The Group is committed to providing a healthy and safe workplace for employees. Safety guidelines are formulated and communicated to all employees. Employees are encouraged to participate in occupational health and safety courses. Regular checks on our facilities and equipment have been carried out to ensure the provision of a safe environment to employees, tenants, workers and members of the general public. During the year, the Group had no major accidents and work related injuries.

DEVELOPMENT AND TRAINING

The Group encourages sustainable learning of its employees through coaching and further studies. In-house training and online learning materials are provided for all employees. Training subsidies are provided to employees on a merit basis.

SUPPLY CHAIN MANAGEMENT

The leasing and management of the units and car parking spaces in Regent Centre are conducted by external service providers. The Group closely supervises and monitors the works rendered by the service providers on all tenancy and property management affairs, including sourcing and assessment of tenants, and general property maintenance. Regular meetings are held to facilitate two-way communication.

In selecting service providers, contractors, suppliers and business partners, the Group favours those who follow environmental-friendly practices in providing their design, services and products.

The leasing of the office premises in Ryder Court is ultimately managed by the Group. Part of the leasing works are conducted by external service providers such as sourcing potential tenants, site visits and assisting with lease negotiations. All instructions are made by the Group and close communication is maintained at all times during the leasing process.

PRODUCT RESPONSIBILITY

The Group is committed to provide quality services to its tenants. The estate manager in Regent Centre has been accredited ISO 9001 for its property management services since 2005. The water plumbing system in Regent Centre is also maintained in good condition and the Quality Water Supply Scheme — Freshwater has been obtained since 2014.

During the year, the Group has maintained active dialogue with the service providers and ensured the well-being of its tenants in Regent Centre have been properly taken care of. The Group communicates with its tenants by conducting satisfaction surveys periodically with the purpose of identifying potential areas for improvement. A customer hotline and a designated email account have also been established for the tenants to voice their opinion, feedback or complaints directly to the Group about property rental and management services.

As part of our goal to achieve BREEAM In-use "Excellent" accreditation, the RC Property Manager has produced a Tenancy Fit-Out Guide which outlines a step-by-step process around fit-out obligations and an approval process that is compliant with environmental and sustainable procurement policies. In addition, the Environmental Policy implemented in Ryder Court encourages suppliers and customers to adopt the best possible environmental practices, including monitoring of purchasing practices and internal operations, and to procure 'legally harvested and legally traded' timber.

ANTI-CORRUPTION

The Group is committed to maintaining high ethical standards, professionalism and integrity in its business operation. There is a whistle blowing system in place which allows employees to report without fear of retaliation any suspected wrongdoing or malpractice within the Group to the Executive Directors or the Audit Committee. During the year, the Group had no reported instances on fraud, corruption or any wrongful act.

COMMUNITY INVESTMENT

The Group cares for the community and encourages employees to actively participate in corporate social responsibility ("CSR") activities. During the year, the Group participated in charity event to show care and love to the child. The Group shall reinforce initiatives, such as sponsoring community services, arts and cultural events and promoting participation of the Group's stakeholders in such events, for the betterment of the communities in which the Group serves.

COMPLIANCE

During the year, the Group was not aware of any non-compliance with any relevant environmental and social regulatory laws and regulations that might have a significant impact on the businesses of the Group.

Independent Auditor's Report

Independent auditor's report to the shareholders of Vanke Overseas Investment Holding Company Limited
(Formerly known as "Vanke Property (Overseas) Limited")
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vanke Overseas Investment Holding Company Limited (the "Company", formerly known as "Vanke Property (Overseas) Limited") and its subsidiaries (the "Group") set out on pages 50 to 102, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 *(continued)*

Valuation of investment properties

Refer to note 11 to the consolidated financial statements and the accounting policies on page 59.

The Key Audit Matter	How the matter was addressed in our audit
The fair value of the Group's investment properties as at 31 December 2019 totalled HK$3,154 million which represented 59% of the Group's total assets as at that date. The fair value of the Group's investment properties as at 31 December 2019 was assessed by the directors based on valuations prepared by independent firms of surveyors. The changes in fair value of investment properties recorded in the consolidated statement of profit or loss. The Group's investment properties, which are located in Hong Kong and the United Kingdom, comprise industrial premises and office premises. We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and because the valuation of investment properties can be inherently subjective and requires significant judgement and estimation, particularly in relation to selecting the appropriate valuation methodology, capitalisation rates and market rents, which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of investment properties included the following: • obtaining and inspecting the valuation reports prepared by independent firms of surveyors engaged by the Group on which the directors' assessment of the valuation of investment properties was based; • assessing the qualifications and experience of the external surveyors, their expertise in the properties being valued and their objectivity and independence; • discussing with the external surveyors their valuation methodology in a separate private session and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates and market rents, by comparing assumptions made in prior years with the current year's assumptions and current publicly available data, with the assistance of our internal property valuation specialists; and • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external surveyors with underlying contracts and related documentation, on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 judgement 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 *(continued)*

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Kai Ming.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

13 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	3	**251,477**	101,780
Cost of services		**(79,153)**	(22,804)
Gross profit		**172,324**	78,976
Other income	4	**432**	440
Administrative and other operating expenses		**(34,909)**	(12,092)
Net increase in fair value of investment properties	11(a)	**943**	136,005
Operating profit		**138,790**	203,329
Finance income	5(a)	**24,772**	20,779
Finance costs	5(b)	**(22,545)**	–
Share of results of associates		**16,823**	465,682
Profit before taxation	5	**157,840**	689,790
Income tax	6(a)	**(24,491)**	(12,947)
Profit for the year		**133,349**	676,843
Attributable to:			
Shareholders of the Company		**133,363**	676,843
Non-controlling interests		**(14)**	–
Profit for the year		**133,349**	676,843
Earnings per share — basic and diluted	10	**HK$0.34**	HK$1.74

The notes on pages 56 to 102 form part of these consolidated financial statements. Details of dividends paid and payable to shareholders of the Company attributable on the profit for the year are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**133,349**	676,843
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries	**(800)**	–
Total comprehensive income for the year	**132,549**	676,843
Attributable to:		
Shareholders of the Company	**132,558**	676,843
Non-controlling interests	**(9)**	–
Total comprehensive income for the year	**132,549**	676,843

The notes on pages 56 to 102 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	11	**3,153,973**	1,968,000
Property, plant and equipment	11	**604,753**	137
Interests in associates	13	**453,786**	338,435
Other non-current assets	14	**49,724**	–
		4,262,236	2,306,572
Current assets			
Trade and other receivables	14	**82,827**	13,047
Investment instruments	15	**525,131**	–
Tax recoverable		**1,895**	1,827
Bank balances and cash		**450,893**	1,425,085
		1,060,746	1,439,959
Current liabilities			
Other payables and accruals	17	**(234,053)**	(33,241)
Loan from an intermediate holding company	18	**(424,600)**	–
Bank loan	20	**(10,357)**	–
Lease liabilities	19	**(2,583)**	–
Tax payable		**(22,915)**	(5,557)
		(694,508)	(38,798)
Net current assets		**366,238**	1,401,161
Total assets less current liabilities		**4,628,474**	3,707,733
Non-current liabilities			
Bank loan	20	**(761,580)**	–
Lease liabilities	19	**(58,879)**	–
Deferred tax liabilities	21	**(43,481)**	(40,966)
		(863,940)	(40,966)
NET ASSETS		**3,764,534**	3,666,767

Consolidated Statement of Financial Position *(continued)*

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	22(b)	**3,895**	3,895
Reserves		**3,760,372**	3,662,872
Total equity attributable to shareholders of the Company		**3,764,267**	3,666,767
Non-controlling interests		**267**	–
TOTAL EQUITY		**3,764,534**	3,666,767

Approved and authorised for issue by the board of directors on 13 March 2020.

Zhang Xu	**Que Dongwu**
Director	*Director*

The notes on pages 56 to 102 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to shareholders of the Company						
	Note	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		**3,895**	**1,030,877**	**–**	**2,631,995**	**3,666,767**	**–**	**3,666,767**
Changes in equity for 2019:								
Profit for the year		**–**	**–**	**–**	**133,363**	**133,363**	**(14)**	**133,349**
Exchange differences arising on translation of foreign operations		**–**	**–**	**(805)**	**–**	**(805)**	**5**	**(800)**
Total comprehensive income		**–**	**–**	**(805)**	**133,363**	**132,558**	**(9)**	**132,549**
Final dividend approved in respect of the previous year	9(b)	**–**	**–**	**–**	**(35,058)**	**(35,058)**	**–**	**(35,058)**
Acquisition of subsidiaries	25	**–**	**–**	**–**	**–**	**–**	**203**	**203**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**73**	**73**
At 31 December 2019		**3,895**	**1,030,877**	**(805)**	**2,730,300**	**3,764,267**	**267**	**3,764,534**
At 1 January 2018		3,895	1,030,877	–	1,966,838	3,001,610	–	3,001,610
Changes in equity for 2018:								
Profit and total comprehensive income for the year		–	–	–	676,843	676,843	–	676,843
Final dividend approved in respect of the previous year	9(b)	–	–	–	(11,686)	(11,686)	–	(11,686)
At 31 December 2018		3,895	1,030,877	–	2,631,995	3,666,767	–	3,666,767

The notes on pages 56 to 102 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Net cash generated from operations	16(a)	**90,295**	71,032
Hong Kong Profits Tax paid		**(934)**	(4,583)
Hong Kong Profits Tax refunded		**–**	249
Overseas tax paid		**(4,564)**	–
Net cash generated from operating activities		**84,797**	66,698
Investing activities			
Payments for acquisitions of subsidiaries, net of cash and cash equivalents of the subsidiaries acquired	25	**(1,653,016)**	–
Payments for additions to investment properties		**(896)**	(8,080)
Payments for additions of property, plant and equipment		**(423)**	(19)
Payments for investment instruments		**(703)**	–
Bank interest received		**18,572**	13,016
Interest received from associates		**8,407**	71,637
Dividend received from an associate		**–**	325,000
Repayments from associates		**59,265**	163,516
Advance from an associate		**148,185**	–
Advances to associates		**–**	(60,902)
Net cash (used in)/generated from investing activities		**(1,420,609)**	504,168
Financing activities			
Interest and other finance charge paid	16(b)	**(10,321)**	–
Capital element of lease rentals paid	16(b)	**(1,241)**	–
Interest element of lease rentals paid	16(b)	**(2,925)**	–
Proceed from loan from an intermediate holding company	16(b)	**409,499**	–
Capital contributions from non-controlling interests		**73**	–
Dividends paid		**(35,058)**	(11,686)
Net cash generated from/(used in) financing activities		**360,027**	(11,686)
Net (decrease)/increase in cash and cash equivalents		**(975,785)**	559,180
Cash and cash equivalents at 1 January		**1,425,085**	865,905
Effect of foreign exchange rate changes		**1,593**	–
Cash and cash equivalents at 31 December		**450,893**	1,425,085
Analysis of the balances of cash and cash equivalents at 31 December			
Bank balances and cash		**450,893**	1,425,085

The notes on pages 56 to 102 form part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Vanke Overseas Investment Holding Company Limited (the "Company", formerly known as "Vanke Property (Overseas) Limited", and together with its subsidiaries, the "Group") is a limited liability company incorporated in the Cayman Islands whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office is located at is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the principal office in Hong Kong is located at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The principal activities of the Group are asset management, property development and property investment.

The directors consider the immediate holding company and the ultimate holding company to be Wkland Investments Company Limited and China Vanke Co., Ltd.. Wkland Investments Company Limited is a company incorporated in the British Virgin Islands with limited liability, while China Vanke Co., Ltd. is a joint stock company with limited liability incorporated in the People's Republic of China and the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

The key changes to the Group's accounting policies resulting from the adoption of HKFRS 16 are summarised below.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*.

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

The adoption of HKFRS 16 does not have any impacts to the opening balance of the Group's equity as the Group does not enter into any leases as lessee prior to 31 December 2018.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Statement of compliance *(continued)*

In addition, the Group has also considered its impact to the classification of the Group's leasehold investment properties and concluded that there is no presentation impact following the adoption of HKFRS 16 as the Group previously applied HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purpose.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value as explained in note 2(f).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired (e.g. maintenance and serviced residence operations, etc.). When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Investment instruments

Investment instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs. These instruments are subsequently measure at amortised cost, as they are held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(p)(iii)).

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(i).

(g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Certain of the Group's property, plant and equipment acquired through interests in subsidiaries, are accounted for as acquisition of assets (note 25).

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset if it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use. Depreciation on property, plant and equipment is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment as follows:

— Other property leased for own use	Over the lease term
— Office and carpark equipment	5 years
— Computer equipment	5 years

Property under redevelopment are stated at cost and are not depreciated. Expenditure relating to assets under construction (including borrowing costs) are capitalised when incurred. Depreciation will commence when the development is completed and ready for use.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leased assets

(i) As a lessee

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(i)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(f).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leased assets *(continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. The rental income from operating leases is recognised in accordance with note 2(p)(i).

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, amounts due from associates/group companies and investment instruments).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment and;

— interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets *(continued)*

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see note 2(i)(i)).

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i)(i).

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(ii) Asset management fee income, property management income and handling fee income

Asset management fee income, property management income and handling fee income are recognised when the services are provided.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(b) (continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue recognised during the year is as follows:

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 recognised over time		
Property management fee income	**15,651**	15,476
Asset management fee income	**82,898**	–
Revenue from other sources		
Rental income from investment properties	**111,490**	86,304
Interest income on investment instruments	**41,438**	–
	251,477	101,780

3 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment reporting

The Group's chief operating decision maker assesses the performance of the operating segment primarily based on segment profit. Segment profit represents the profit earned by the segment and excludes mainly head office and corporate expenses (net of unallocated income), finance income, finance costs and income tax.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following three segments:

Property investment:	The leasing of the Group's investment properties to earn rental and management fee income and to gain from the appreciation in properties' values in the long term
Property development:	Share of the results of associates that principal activities are property development and financing, the handling fee income, interest income from an associate and interest income on investment instruments
Asset management:	Asset management fee income from the provision of asset management services

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment except for property, plant and equipment (excluding property under redevelopment and other property leased for own use), other receivables, other deposits, prepayments, tax recoverable and bank balances and cash. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Revenue from customers which accounts for 10% or more of the Group's revenue are set out below:

	2019 **HK$'000**	2018 HK$'000
Property development segment — Customer A	**41,438**	–
Asset management segment — entities controlled by the ultimate holding company	**82,898**	–

3 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment reporting (continued)

Operating segments

The segment results are as follows:

For the year ended 31 December 2019

	Property investment HK$'000	Property development HK$'000	Asset management HK$'000	Total HK$'000
Revenue	**127,141**	**41,438**	**82,898**	**251,477**
Segment results before changes in fair value of investment properties	**80,921**	**64,993**	**25,686**	**171,600**
Net increase in fair value of investment properties	**943**	**–**	**–**	**943**
Segment results	**81,864**	**64,993**	**25,686**	**172,543**
Head office and corporate expenses (net of unallocated income)				**(32,482)**
Finance income — bank interest income				**17,779**
Profit before taxation				**157,840**
Income tax				**(24,491)**
Profit for the year				**133,349**

3 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment reporting *(continued)*

Operating segments (continued)

For the year ended 31 December 2018

	Property investment HK$'000	Property development HK$'000	Asset management HK$'000	Total HK$'000
Revenue	101,780	–	–	101,780
Segment results before changes in fair value of investment properties	77,352	473,217	–	550,569
Increase in fair value of investment properties	136,005	–	–	136,005
Segment results	213,357	473,217	–	686,574
Head office and corporate expenses (net of unallocated income)				(10,242)
Finance income — bank interest income				13,458
Profit before taxation				689,790
Income tax				(12,947)
Profit for the year				676,843

Total assets by segment

	2019 HK$'000	2018 HK$'000
Property investment	**3,213,771**	1,969,474
Property development	**1,580,950**	346,408
Asset management	**42,873**	–
Segment assets	**4,837,594**	2,315,882
Property, plant and equipment	**122**	137
Other receivables	**32,478**	3,600
Tax recoverable	**1,895**	1,827
Bank balances and cash	**450,893**	1,425,085
Total assets	**5,322,982**	3,746,531

3 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment reporting *(continued)*

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, property under redevelopment, other property leased for own use, interests in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties and property under redevelopment, the location of the operation to which it is allocated, in the case of other non-current assets, and the location of operations, in the case of interests in associates.

	Revenue from external customers		Specific non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**120,213**	101,780	**2,900,587**	2,306,435
United Kingdom	**32,945**	–	**1,199,237**	–
United States	**98,319**	–	**162,290**	–
Total	**251,477**	101,780	**4,262,114**	2,306,435

4 OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Handling fee income from an associate	**–**	214
Compensation received from tenants on early lease termination	**315**	32
Others	**117**	194
	432	440

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
(a) Finance income		
Interest income on bank deposits and bank balances	**(17,779)**	(13,458)
Interest income on an amount due from an associate	**(6,993)**	(7,321)
	(24,772)	(20,779)
(b) Finance costs		
Interest expense on bank loan	**10,321**	–
Interest expense on a loan from an intermediate holding company	**8,672**	–
Interest expense on lease liabilities	**2,925**	–
Other borrowing costs	**627**	–
	22,545	–
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution plan	**1,230**	68
Salaries, wages and other benefits	**48,873**	5,360
	50,103	5,428

The Group participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

	2019 HK$'000	2018 HK$'000
(d) Others		
Auditors' remuneration		
— audit services	**4,090**	828
— non-audit services	**1,506**	250
Depreciation (note 11(a))	**1,449**	98
Net foreign exchange loss	**2,616**	–
Rental and related income from investment properties less direct outgoings of HK$22,102,000 (2018: HK$22,804,000)	**(105,039)**	(78,976)

6 INCOME TAX

(a) Income tax represents:

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**15,376**	10,255
Over-provision in prior years	**(205)**	(94)
	15,171	10,161
Current tax — Overseas		
Provision for the year	**6,805**	–
Deferred tax		
Origination and reversal of temporary differences	**2,515**	2,786
	24,491	12,947

Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

Overseas taxation is calculated at rate of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' income tax expense of HK$3,626,000 (2018: HK$79,072,000) is included in the share of results of associates for the year ended 31 December 2019.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**157,840**	689,790
Notional tax on profit before taxation calculated at the rates applicable to profits in the jurisdictions concerned	**26,309**	113,815
Tax effect of non-deductible expenses	**2,459**	719
Tax effect of non-taxable income	**(4,212)**	(101,499)
Tax effect of tax losses not recognised	**140**	6
Over-provision in prior years	**(205)**	(94)
Tax expense	**24,491**	12,947

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2019				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Zhang Xu	**200**	**–**	**–**	**–**	**200**
Ms. Que Dongwu	**200**	**–**	**–**	**–**	**200**
Mr. Lee Kai-Yan (re-designated from non-executive director on 15 August 2019)	**76**	**1,722**	**1,464**	**111**	**3,373**
Ms. Lin Lily (re-designated from non-executive director on 15 August 2019)	**76**	**1,037**	**878**	**42**	**2,033**
	552	**2,759**	**2,342**	**153**	**5,806**
Non-Executive Directors					
Mr. Chan Chi Yu	**150**	**110**	**–**	**–**	**260**
Mr. Lee Kai-Yan (re-designated to executive director on 15 August 2019)	**93**	**–**	**–**	**–**	**93**
Ms. Lin Lily (re-designated to executive director on 15 August 2019)	**93**	**–**	**–**	**–**	**93**
	336	**110**	**–**	**–**	**446**
Independent Non-Executive Directors					
Mr. Chan Wai Hei, William	**169**	**150**	**–**	**–**	**319**
Ms. Law Chi Yin, Cynthia	**169**	**150**	**–**	**–**	**319**
Mr. Zhang Anzhi (appointed on 1 March 2019)	**144**	**110**	**–**	**–**	**254**
Mr. Shium Soon Kong (resigned on 28 February 2019)	**25**	**30**	**–**	**–**	**55**
	507	**440**	**–**	**–**	**947**
	1,395	**3,309**	**2,342**	**153**	**7,199**

7 DIRECTORS' EMOLUMENTS *(continued)*

	2018				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Zhang Xu	200	–	–	–	200
Ms. Que Dongwu	200	–	–	–	200
	400	–	–	–	400
Non-Executive Directors					
Mr. Chan Chi Yu	150	80	–	–	230
Mr. Lee Kai-Yan (appointed on 23 October 2018)	29	–	–	–	29
Ms. Lin Lily (appointed on 23 October 2018)	29	–	–	–	29
	208	80	–	–	288
Independent Non-Executive Directors					
Mr. Chan Wai Hei, William	150	100	–	–	250
Ms. Law Chi Yin, Cynthia	150	100	–	–	250
Mr. Shium Soon Kong	150	90	–	–	240
	450	290	–	–	740
	1,058	370	–	–	1,428

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group for the year include two directors (2018: no directors). The aggregate emoluments in respect of the remaining three (2018: five) non-director and highest paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**4,443**	3,087
Discretionary bonuses	**1,651**	349
Retirement scheme contributions	**50**	54
	6,144	3,490

The emoluments of the non-director and highest paid individuals are within the following bands:

	Number of individuals	
	2019	2018
Nil–HK$1,000,000	**–**	5
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**2**	–
HK$2,000,001–HK$2,500,000	**1**	–
	3	5

9 DIVIDENDS

(a) Dividends attributable to the year

	2019 HK$'000	2018 HK$'000
Final dividend proposed after the end of reporting period of HK$0.09 (2018: HK$0.09) per share	**35,058**	35,058

At a meeting held on 13 March 2020, the Directors recommended a final dividend of HK$0.09 per share. This proposed dividend is not reflected as a dividend payable in the Group's consolidated financial statements until it has been approved by the shareholders of the Company and will be reflected as an appropriation of reserves in the year ending 31 December 2020.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 HK$'000	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.09 (2018: HK$0.03) per share	**35,058**	11,686

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK$133,363,000 (2018: HK$676,843,000) and 389,527,932 (2018: 389,527,932) shares in issue during the year.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the year (2018: nil).

11 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

		Property, plant and equipment				
	Investment properties	Property under redevelopment	Other property leased for own use	Plant and equipment	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:						
At 1 January 2018	1,830,000	–	–	480	480	1,830,480
Additions	1,995	–	–	19	19	2,014
Fair value gain	136,005	–	–	–	–	136,005
At 31 December 2018	1,968,000	–	–	499	499	1,968,499
Representing:						
At cost	–	–	–	499	499	499
At valuation	1,968,000	–	–	–	–	1,968,000
	1,968,000	–	–	499	499	1,968,499
At 1 January 2019	1,968,000	–	–	499	499	1,968,499
Acquisitions of subsidiaries (note 25)	1,135,339	596,000	–	–	596,000	1,731,339
Additions	896	334	9,656	89	10,079	10,975
Net fair value gain	943	–	–	–	–	943
Exchange adjustments	48,795	–	(14)	–	(14)	48,781
At 31 December 2019	3,153,973	596,334	9,642	588	606,564	3,760,537
Representing:						
At cost	–	596,334	9,642	588	606,564	606,564
At valuation	3,153,973	–	–	–	–	3,153,973
	3,153,973	596,334	9,642	588	606,564	3,760,537

11 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Reconciliation of carrying amount *(continued)*

		Property, plant and equipment				
	Investment properties $'000	Property under redevelopment $'000	Other property leased for own use $'000	Plant and equipment $'000	Sub-total $'000	Total $'000
Accumulated depreciation:						
At 1 January 2018	–	–	–	(264)	(264)	(264)
Charge for the year	–	–	–	(98)	(98)	(98)
At 31 December 2018	–	–	–	(362)	(362)	(362)
At 1 January 2019	–	–	–	(362)	(362)	(362)
Charge for the year	–	–	(1,345)	(104)	(1,449)	(1,449)
At 31 December 2019	–	–	(1,345)	(466)	(1,811)	(1,811)
Net book value:						
At 31 December 2019	3,153,973	596,334	8,297	122	604,753	3,758,726
At 31 December 2018	1,968,000	–	–	137	137	1,968,137

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

11 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value at 31 December 2019 HK$'000	Fair value measurements at 31 December 2019 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	**2,004,460**	**–**	**–**	**2,004,460**
— Office — United Kingdom	**1,149,513**	**–**	**–**	**1,149,513**
	3,153,973	**–**	**–**	**3,153,973**

	Fair value at 31 December 2018 HK$'000	Fair value measurements at 31 December 2018 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	1,968,000	–	–	1,968,000

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 (2018: nil), or transfers into or out of Level 3 (2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued at 31 December 2019. The valuations were carried out by independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Knight Frank LLP, which have among its staff with relevant professional qualifications and have recent experience in the location and category of the property being valued. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

11 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range (weighted average)
Investment properties — Hong Kong	Term and reversionary approach	Term period — capitalisation rate	3.5% (2018: 3.5%)
		Reversionary period — capitalisation rate	4% (2018: 4%)
		— market rent per square foot	HK$9.4–10.5 (HK$10.0) (2018: HK$9.5–10.3 (HK$9.9))
Investment properties — United Kingdom	Term and reversionary approach	Term period — capitalisation rate	4.49%
		Reversionary period — capitalisation rate	4.63%
		— market rent per square foot	GBP5.9

The fair value of investment properties in Hong Kong and the United Kingdom are determined by taking into account the net rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at appropriate capitalisation rates, and with reference to the comparable sale transactions as available in the market. The fair value measurement is positively correlated to the market rent per square foot, and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 11(a) to the consolidated financial statements.

Fair value adjustment of investment properties is recognised in the line item "Net increase in fair value of investment properties" on the face of the consolidated statement of profit or loss.

11 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

(c) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain leases include variable lease payment terms that are based on the revenue of tenants.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019	2018
	$'000	$'000
Within 1 year	**135,263**	73,829
After 1 year but within 2 years	**85,273**	38,955
After 2 years but within 3 years	**56,801**	15,350
After 3 years but within 4 years	**54,798**	1,577
After 4 years but within 5 years	**54,948**	–
After 5 years	**130,268**	–
	517,351	129,711

(d) Other property leased for own use

The Group has obtained the right to use a property as its office through tenancy agreement. The lease runs for an initial period of 7.5 years.

(e) Property under redevelopment

The Group acquired a property through the acquisition of subsidiary from a fellow subsidiary during the year (note 25). The Group intends to re-develop the property into a hotel. The property under redevelopment is located in Hong Kong and with remaining lease term of more than 50 years.

12 INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2019	2018
	HK$'000	HK$'000
Unlisted shares, at cost (note (a))	**–**	–
Amounts due from subsidiaries (non-current) (note (b))	**898,645**	394,502
	898,645	394,502
Amounts due from subsidiaries (current) (note (b))	**910,452**	–

Notes:

(a) The balance represents the subsidiaries' unlisted shares (at cost) of HK$23 (2018: HK$40).

(b) The amounts due from subsidiaries are unsecured and interest-free. The amount of HK$898,645,000 (2018: HK$394,502,000) is expected to be recovered after one year, while the remaining amount of HK$910,452,000 (2018: nil) is expected to be recovered within one year.

(c) Particulars of the principal subsidiaries are set out on pages 101 and 102.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES

	2019	2018
	HK$'000	HK$'000
Share of net assets (note (a))	**252,056**	79,714
Amount due from an associate (non-current) (note (b)(i))	**201,730**	258,721
	453,786	338,435
Amount due from an associate (current) (note (b)(i))	**5,699**	7,973
Amount due to an associate (current) (note (b)(ii))	**148,185**	–

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES *(continued)*

Details of the Group's interests in associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ultimate Vantage Limited*	Incorporated	Hong Kong	100 ordinary shares (HK$100)	20%	–	20%	Property development
Gold Value Limited*	Incorporated	Hong Kong	100 ordinary shares (HK$100)	20%	–	20%	Property financing
657–667 Mission Street Venture LLC*#	Incorporated	United States of America ("USA")	US$33,862,528	45%	–	45%	Investment holding
657–667 Mission Holdings LLC*#	Incorporated	USA	US$33,862,528	45%	–	45%	Investment holding
657–667 Mission Mezz LLC*#	Incorporated	USA	US$33,862,528	45%	–	45%	Financing
657–667 Mission Property Owner LLC*#	Incorporated	USA	US$33,862,528	45%	–	45%	Property investment

* Unlisted corporate entity whose quoted market price is not available

\# 657–667 Mission Street Venture LLC and its subsidiaries (together, the "Mission Venture Group")

Notes:

(a) The balance included the newly acquired associates (through acquisition of subsidiaries) of HK$157,165,000 during the year (see note 25).

(b) Amounts due from/to associates comprise of:

(i) An amount due from Gold Value Limited ("GVL") of HK$207,429,000 (2018: HK$266,694,000) is unsecured, interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK$5,699,000 (2018: HK$7,973,000) is expected to be recovered within one year, while the remaining amount of HK$201,730,000 (2018: HK$258,721,000) will be recovered after one year.

(ii) An amount due to Ultimate Vantage Limited ("UVL") of HK$148,185,000 (2018: nil) is unsecured, interest-free and repayable on demand.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES *(continued)*

Summarised financial information of the associates, reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

2019

	UVL HK$'000	GVL HK$'000	Mission Venture Group HK$'000	Total HK$'000
Gross amounts of associates				
Non-current assets	–	990,788	1,000,553	1,991,341
Current assets	1,251,433	48,508	18,319	1,318,260
Current liabilities	(762,297)	(29,174)	(51,589)	(843,060)
Non-current liabilities	–	(1,008,940)	(625,077)	(1,634,017)
Equity	489,136	1,182	342,206	832,524
Revenue	116,337	36,336	–	152,673
Profit/(loss) for the year	91,193	556	(6,537)	85,212
Total comprehensive income	91,193	556	(7,051)	84,698
Interest received	1,414	–	–	1,414
Reconciled to the Group's interests in associates				
Gross amounts of net assets	489,136	1,182	342,206	832,524
Group's effective interest	20%	20%	45%	
Group's share of net assets	97,827	236	153,993	252,056
Amount due from an associate — non-current portion	–	201,730	–	201,730
Carrying amount in the consolidated financial statements	97,827	201,966	153,993	453,786
Amount due from an associate — current portion	–	5,699	–	5,699
Amount due to an associate — current portion	(148,185)	–	–	(148,185)

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES (continued)

2018

	UVL HK$'000	GVL HK$'000	Total HK$'000
Gross amounts of associates			
Non-current assets	65,609	1,251,279	1,316,888
Current assets	1,292,489	83,286	1,375,775
Current liabilities	(960,155)	(40,044)	(1,000,199)
Non-current liabilities	–	(1,293,895)	(1,293,895)
Equity	397,943	626	398,569
Revenue	9,958,595	38,713	9,997,308
Profit for the year	2,006,583	246	2,006,829
Total comprehensive income	2,006,583	246	2,006,829
Dividend received	325,000	–	325,000
Interest received	64,316	–	64,316
Reconciled to the Group's interest in associates			
Gross amounts of net assets	397,943	626	398,569
Group's effective interest	20%	20%	
Group's share of net assets	79,589	125	79,714
Amount due from an associate — non-current portion	–	258,721	258,721
Carrying amount in the consolidated financial statements	79,589	258,846	338,435
Amount due from an associate — current portion	–	7,973	7,973

14 TRADE AND OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS

	2019 HK$'000	2018 HK$'000
Trade receivables (note (a))	**1,075**	530
Unamortised rent receivables	**58,723**	944
Other receivables	**9,111**	870
Other deposits	**3,316**	2,603
Prepayments	**1,574**	127
Amount due from an associate (note 13(b)(i))	**5,699**	7,973
Amount due from an intermediate holding company (note (b))	**41,857**	–
Amounts due from fellow subsidiaries (note (b))	**11,196**	–
	132,551	13,047
Representing:		
Current	**82,827**	13,047
Non-current (unamortised rent receivables)	**49,724**	–
	132,551	13,047

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**728**	500
31 to 90 days	**347**	30
	1,075	530

Trade receivables are due within 15 to 90 days from the date of revenue recognition. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 23(a).

(b) The amounts due from an intermediate holding company and fellow subsidiaries are unsecured, interest-free and recoverable on demand. Included in the balances were trade receivables from an intermediate holding company and fellow subsidiaries of HK$23,387,000 (2018: nil) and HK$11,189,000 (2018: nil), respectively, which arose from the provision of asset management services. The ageing of these balances are less than 30 days from the date of revenue recognition.

15 INVESTMENT INSTRUMENTS

The Group invests in the investment instruments for funding a property development project.

The instruments are interest-bearing at 14.15% per annum and will be matured on 20 December 2020 (with one year extension option exercisable by the borrowers). The instruments are guaranteed by a holding company of the borrowers. The balance of HK$362,169,000 is secured by the equity interest of a borrower, while the remaining balance of HK$162,962,000 is unsecured.

16 OTHER CASH FLOW INFORMATION

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

	Note	2019 HK$'000	2018 (Note) HK$'000
Profit before taxation		**157,840**	689,790
Adjustments for:			
Share of results of associates		**(16,823)**	(465,682)
Finance income	5(a)	**(24,772)**	(20,779)
Finance costs	5(b)	**22,545**	–
Depreciation	5(d)	**1,449**	98
Net increase in fair value of investment properties	11(a)	**(943)**	(136,005)
Interest income from investment instruments		**(41,438)**	–
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(21,296)**	1,228
Increase in other payables and accruals		**13,733**	2,382
Cash generated from operations		**90,295**	71,032

16 OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Loan from an intermediate holding company HK$'000 (note 18)	Lease liabilities HK$'000 (note 19)	Bank loan HK$'000 (note 20)	Total HK$'000
At 1 January 2019	–	–	–	–
Changes from financing cash flows:				
Proceed from loan from an intermediate holding company	409,499	–	–	409,499
Capital element of lease rentals paid	–	(1,241)	–	(1,241)
Interest element of lease rental paid	–	(2,925)	–	(2,925)
Interest expense and other finance charges paid	–	–	(10,321)	(10,321)
Total changes from financing cash flows	409,499	(4,166)	(10,321)	395,012
Exchange adjustment	15,101	2,246	32,656	50,003
Other changes:				
Acquisitions of subsidiaries (note 25)	–	50,815	738,654	789,469
Increase in lease liabilities from entering into a new lease during the year	–	9,642	–	9,642
Increase in amount due to an intermediate holding company	(8,672)	–	–	(8,672)
Interest expenses (note 5(b))	8,672	2,925	10,948	22,545
Total other changes	–	63,382	749,602	812,984
At 31 December 2019	424,600	61,462	771,937	1,257,999

17 OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**21,310**	1,658
Rental and other deposits received	**24,810**	24,673
Accruals	**29,385**	5,588
Amount due to an associate (note 13(b)(ii))	**148,185**	–
Amount due to an intermediate holding company (note (a))	**10,054**	1,322
Amount due to a fellow subsidiary (note (a))	**309**	–
	234,053	33,241

(a) Amounts due to an intermediate holding company and a fellow subsidiary are unsecured, interest-fee and repayable on demand.

(b) Except for the rental and other deposits received on properties and other payables of HK$13,014,000 (2018: HK$15,015,000) which are expected to be settled after one year, all of the other payables, rental and other deposits received and accruals are expected to be settled within one year or repayable on demand.

18 LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The loan from an intermediate holding company is unsecured, interest-bearing at London Inter-bank Offered Rate ("LIBOR") plus 2.1% per annum or the most recent average cost of capital of the lender, whichever is higher, and repayable upon third-party financing becoming available to the Group.

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2019		2018	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	2,583	5,424	–	–
After 1 year but within 2 years	2,729	5,467	–	–
After 2 years but within 5 years	3,133	10,932	–	–
After 5 years	53,017	302,266	–	–
	58,879	318,665	–	–
	61,462	324,089	–	–
Less: total future interest expenses		(262,627)		–
Present value of lease liabilities		61,462		–

20 BANK LOAN

	2019 HK$'000	2018 HK$'000
Secured bank loan	774,561	–
Other borrowing costs capitalised	(2,624)	–
Total bank loan	771,937	–
Representing secured bank loan repayable:		
Within 1 year or on demand	10,357	–
After 1 year but within 2 years	10,357	–
After 2 years but within 5 years	751,223	–
	761,580	–
Total bank loan	771,937	–

20 BANK LOAN *(continued)*

The banking facility at 31 December 2019 of GBP75,000,000 (equivalent to HK$776,779,000) was secured by all assets held by a subsidiary. These included the Group's investment properties located in the United Kingdom of HK$1,149,513,000 at 31 December 2019.

Among the total banking facility, the balance of GBP74,786,000 (equivalent to HK$774,561,000) was utilised as at 31 December 2019. The bank loan is interest-bearing at the LIBOR plus 1.95% per annum, repayable by instalment in accordance with repayment schedule and will be matured by 16 January 2022.

The banking facility is subject to the fulfilment of covenants relating to certain of the abovementioned subsidiary's statement of financial position ratios and an obligation on its immediate holding company to maintain its beneficial interest in that subsidiary's issued share capital.

At 31 December 2019, none of the covenants relating to drawn down facilities had been breached. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

21 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK$'000	Future benefit of tax loss HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2019	**41,730**	**(764)**	**40,966**
Charged to profit or loss	**2,150**	**365**	**2,515**
At 31 December 2019	**43,880**	**(399)**	**43,481**
At 1 January 2018	39,189	(1,009)	38,180
Charged to profit or loss	2,541	245	2,786
At 31 December 2018	41,730	(764)	40,966

	2019 HK$'000	2018 HK$'000
Net deferred tax liabilities recognised on the consolidated statement of financial position	**43,481**	40,966

21 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

Deferred tax assets not recognised:

The Group has not recognised deferred tax assets of HK$158,000 (2018: HK$18,000) in respect of accumulated tax losses as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2019. The tax losses do not expire under current tax legislation.

22 TOTAL EQUITY

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	**3,895**	**1,030,877**	**347,779**	**1,382,551**
Changes in equity for 2019:				
Profit and total comprehensive income for the year	–	–	**22,314**	**22,314**
Final dividend approved in respect of the previous year (note 9(b))	–	–	**(35,058)**	**(35,058)**
At 31 December 2019	**3,895**	**1,030,877**	**335,035**	**1,369,807**

	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	3,895	1,030,877	345,835	1,380,607
Changes in equity for 2018:				
Profit and total comprehensive income for the year	–	–	13,630	13,630
Final dividend approved in respect of the previous year (note 9(b))	–	–	(11,686)	(11,686)
At 31 December 2018	3,895	1,030,877	347,779	1,382,551

22 TOTAL EQUITY *(continued)*

(b) Share capital

The Company

	2019		2018	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**750,000,000**	**7,500**	750,000,000	7,500
Issued and fully paid:				
Ordinary shares at 1 January and 31 December (HK$0.01 each)	**389,527,932**	**3,895**	389,527,932	3,895

(c) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in such manner as the Company may, from time to time, determine including, but without limitation (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(q).

22 TOTAL EQUITY (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total of interest-bearing borrowings and lease liabilities less bank balances and cash. Shareholders' equity comprises issued share capital and reserves attributable to shareholders of the Company.

The net debt-to-equity ratio at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
Interest-bearing borrowings	**1,196,537**	–
Lease liabilities	**61,462**	–
Less: Bank balances and cash	**(450,893)**	(1,425,085)
Net debt/(cash)	**807,106**	(1,425,085)
Shareholders' equity	**3,764,267**	3,666,767
Net debt-to-equity ratio	**21.4%**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, an amount due from an associate, amounts due from group companies and investment instruments. The Group's exposure to credit risk arising from bank balances and cash is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group does not have any significant concentration of credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is insignificant.

Amount due from an associate, amounts due from group companies and investment instruments

Amount due from an associate, amounts due from group companies and investment instruments are reviewed at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants (if appropriate), to ensure that it maintains sufficient cash reserves to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2019						
Other payables and accruals	**221,039**	**10,303**	**2,711**	**–**	**234,053**	**234,053**
Loan from an intermediate holding company	**424,600**	**–**	**–**	**–**	**424,600**	**424,600**
Bank loan	**31,198**	**30,915**	**752,067**	**–**	**814,180**	**771,937**
Lease liabilities	**5,424**	**5,467**	**10,932**	**302,266**	**324,089**	**61,462**
	682,261	**46,685**	**765,710**	**302,266**	**1,796,922**	**1,492,052**

	Contractual undiscounted cash flow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2018						
Other payables and accruals	18,226	9,957	5,058	–	33,241	33,241

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At 31 December 2019, the Group's interest rate risk arises primarily from loan from an intermediate holding company and bank loan. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$9,741,000 (2018: nil).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Foreign currency risk

At 31 December 2019, the Group owns assets and conducts its business in Hong Kong, the United States of America and the United Kingdom with its cash flows mainly denominated in Hong Kong dollars, United States dollars and pound sterling. As a result, the Group had no significant exposure to foreign currency risk at 31 December 2019 and 2018.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2019 and 2018.

24 COMMITMENTS

Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019	2018
	HK$'000	HK$'000
Contracted for	**23,767**	–
Authorised but not contracted for	**905**	–
	24,672	–

25 ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the following subsidiaries:

Acquisition of Lithium Topco Limited

On 7 March 2019, the Group entered into a sale and purchase agreement which Vanke Property (Hong Kong) Company Limited ("VPHK"), an intermediate holding company, to acquire approximately 99.95% effective interest in Lithium Topco Limited, a company incorporated in the British Virgin Island ("BVI"), at a consideration of approximately GBP40,997,000 (equivalent to approximately HK$406,643,000). Lithium Topco Limited and its subsidiaries (the "London Target Group") are principally engaged in property investment in the United Kingdom.

Acquisition of 657–667 Mission Limited

On 7 March 2019, the Group entered into a sale and purchase agreement with VPHK to acquire the entire issued share capital of 657–667 Mission Limited, a company incorporated in Cayman Islands, at a consideration of approximately US$20,111,000 (equivalent to approximately HK$157,096,000). 657–667 Mission Limited and its subsidiary and associates (the "SF Target Group") are principally engaged in property investment in the United States of America.

Acquisition of Supreme J Limited

On 7 March 2019, the Group entered into a sale and purchase agreement with Chogori Investment (Hong Kong) Limited ("Chogri"), a fellow subsidiary, to acquire the entire issued share capital of Supreme J Limited, a company incorporated in Cayman Islands, at an aggregate consideration of approximately US$66,927,000 (equivalent to approximately HK$522,798,000). Supreme J Limited (the "NY Target") is principally engaged in the participation in 49% effective interest in the investment instruments.

25 ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of V-Win Achieve Limited

On 29 August 2019, the Group entered into a sale and purchase agreement with Wkinv HK Holdings Limited, a subsidiary of VPHK, to acquire (i) approximately 99.89% issued share capital in V-Win Achieve Limited ("V-Win"), a company incorporated in BVI; and (ii) the shareholder's loan due by V-Win and its subsidiary (the "V-Win Group") to VPHK at a consideration of HK$595,341,000. The V-Win Group is principally engaged in property redevelopment in Hong Kong.

Details of the acquisitions of the London Target Group, the SF Target Group and the NY Target are disclosed in the Company's announcement dated 8 March 2019 and the Company's circular dated 21 May 2019. The transactions were approved by the shareholders of the Company at the Extraordinary General Meeting held on 6 June 2019 and completed on 30 June 2019.

Details of the acquisition of the V-Win Group is disclosed in the Company's announcement dated 29 August 2019 and the Company's circular dated 30 September 2019. The transactions were approved by the shareholders of the Company at the Extraordinary General Meeting held on 31 October 2019 and completed on 1 November 2019.

All these transactions constitute notifiable transactions and connected transactions as defined in Chapter 14 and Chapter 14A of the Listing Rules.

The acquisition of subsidiaries had the following combined effect on the Group's assets and liabilities upon the date of acquisitions:

	London Target Group	SF Target Group	NY Target	V-Win Group	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties	1,135,339	–	–	–	1,135,339
Interests in associates	–	157,165	–	–	157,165
Investment instruments	–	–	522,798	–	522,798
Property, plant and equipment	–	–	–	596,000	596,000
Trade and other receivables	61,177	–	–	21	61,198
Bank balances and cash	28,862	–	–	–	28,862
Other payables and accruals	(28,250)	(69)	–	(680)	(28,999)
Bank loan	(738,654)	–	–	–	(738,654)
Lease liabilities	(50,815)	–	–	–	(50,815)
Tax payable	(813)	–	–	–	(813)
Net identified assets and liabilities	406,846	157,096	522,798	595,341	1,682,081
Non-controlling interests	(203)	–	–	–	(203)
Total consideration	406,643	157,096	522,798	595,341	1,681,878
Cash consideration paid	406,643	157,096	522,798	595,341	1,681,878
Total bank balances and cash acquired	(28,862)	–	–	–	(28,862)
Net cash outflow	377,781	157,096	522,798	595,341	1,653,016

25 ACQUISITION OF SUBSIDIARIES *(continued)*

The above subsidiaries contributed an aggregate revenue of HK$66,441,000 and profit attributable to the shareholders of the Company of HK$4,924,000 to the Group for the year ended 31 December 2019. Should the acquisitions had occurred on 1 January 2019, the revenue and the profit attributable to the shareholders of the Company for the year ended 31 December 2019 would have been HK$277,597,000 and HK$247,021,000 respectively.

The Group incurred acquisition-related costs of HK$11,779,000 for the above acquisitions, and have been included in "Administrative and other operating expenses".

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions in its ordinary course of business:

	2019	2018
	HK$'000	HK$'000
Management and administrative fee payable to an intermediate holding company (note (i))	**5,149**	2,211
Asset management fee income receivable from (note (ii))		
— an intermediate holding company	**29,207**	–
— fellow subsidiaries	**53,691**	–
Key management compensation (note (iii))	**7,199**	2,018

Notes:

(i) Management and administrative fee is charged at terms agreed by both parties. The details of the amount due to this intermediate holding company are set out in note 17(a). This transaction constitutes a continuing connected transaction to the Company under the Listing Rules which is exempted from shareholders' approval, annual review and all disclosure requirements.

(ii) Assets management fee income is charged at terms agreed by both parties. The details of the amounts due from an intermediate holding company and fellow subsidiaries are set out in note 14(b). This related party transaction also constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(iii) Key management personnel represent the directors of the Company.

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Interests in subsidiaries	12	**898,645**	394,502
Current assets			
Other receivables		**237**	885
Amount due from an intermediate holding company		**30,032**	–
Amounts due from subsidiaries	12	**910,452**	–
Bank balances and cash		**330,075**	1,332,606
		1,270,796	1,333,491
Current liabilities			
Other payables and accruals		**(3,311)**	(1,898)
Amounts due to fellow subsidiaries		**(865)**	–
Amount due to an intermediate holding company		**–**	(633)
Amounts due to subsidiaries		**(795,370)**	(342,881)
Tax payable		**(88)**	(30)
		(799,634)	(345,442)
Net current assets		**471,162**	988,049
NET ASSETS		**1,369,807**	1,382,551
CAPITAL AND RESERVES	22(a)		
Share capital		**3,895**	3,895
Reserves		**1,365,912**	1,378,656
TOTAL EQUITY		**1,369,807**	1,382,551

Approved and authorised for issue by the board of directors on 13 March 2020.

Zhang Xu
Director

Que Dongwu
Director

28 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm to current year's presentation.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts,* which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

List of Subsidiaries

At 31 December 2019

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

					Proportion of ownership interest			
Name of subsidiary	Place of incorporation	Place of business	Issued share capital		Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Access Rich Limited	Hong Kong	Hong Kong	Ordinary	HK$1	100%	–	100%	Property investment
Cheer Win Limited	Hong Kong	Hong Kong	Ordinary	HK$1	100%	–	100%	Property investment
Chericourt Company Limited	Hong Kong	Hong Kong	Ordinary	HK$1,000,000	100%	–	100%	Property investment
Lithium Real Estate (Jersey) Limited	The United Kingdom	The United Kingdom	Ordinary	GBP27,420,000	99.95%	–	99.95%	Property investment
Realty Asset Limited	Hong Kong	Hong Kong	Ordinary	HK$1,000	99.89%	–	99.89%	Property redevelopment
Supreme J Limited (formerly known as "Brannan One Limited")	The Cayman Island	Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
Vanke Best Company Limited (formerly known as "Excellent Champ Limited")	Hong Kong	Hong Kong	Ordinary	HK$1	100%	–	100%	Provision of administrative services
Vanke Holdings (Hong Kong) Company Limited	Hong Kong	Hong Kong	Ordinary	HK$250,000	80%	–	80%	Provision of asset management and administrative services
Vanke Overseas Management Holding Company Limited	The British Virgin Island	Hong Kong	Ordinary	US$1	100%	100%	–	Provision of asset management services
Vanke Overseas UK Management Limited	The United Kingdom	The United Kingdom	Ordinary	GBP3,850	80%	–	80%	Provision of investment advisory and asset management services
Vanke US Management LLC	The United Stated of America	The United Stated of America	Ordinary	US$10,000	80%	–	80%	Provision of asset management services
Vanke US MGMT Holdco LLC	The United Stated of America	The United Stated of America	Ordinary	Nil	100%	–	100%	Investment holding
Wkdeveloper Limited	The British Virgin Island	Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding

List of Subsidiaries *(continued)*

At 31 December 2019

Name of subsidiary	Place of incorporation	Place of business	Issued share capital		Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
WK Parking Limited	Hong Kong	Hong Kong	Ordinary Deferred	HK$18,000,000 HK$2,000,000 (note (a))	100%	–	100%	Property investment
WK Property Financial Limited	Hong Kong	Hong Kong	Ordinary	HK$840	100%	–	100%	Investment holding, property investment and group finance company
657–667 Mission Vanke B Offshore LLC	The United Stated of America	The United Stated of America	Ordinary	US$15,238,138	100%	–	100%	Investment holding

Note:

(a) The deferred shares are held by Winner Company (Hong Kong) Limited and Tatkit (Nominees) Limited, companies in which a former director of the Company has beneficial interest. According to the Memorandum and Articles of Association of WK Parking Limited, the holders of deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of WK Parking Limited or to participate in any distribution on winding up unless the assets of WK Parking Limited to be returned on winding up exceed the value of HK$100,000,000,000.

List of Properties

At 31 December 2019

(a) Completed and held for investment

Location	Lease expiry	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type	Effective interest
Regent Centre, 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, The Remaining Portion of Lot No.299 in D.D. No.444, Kwai Chung, New Territories, Hong Kong	2047	103,500	657,000 (remaining portion)	Industrial/ Godown	100%
Ryder Court, 12–14 Ryder Street, St James's, SW1, London, United Kingdom	2141	23,088	75,813	Office	99.95%

(b) Held for redevelopment

Location	Lease expiry	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type	Effective interest	Estimated year of completion
No 62, 64, 66 and 68 Chun Yeung Street, North Point, Hong Kong	2071	4,340	65,100	Hotel	100%	2022

(c) Completed and held for sale

Location	Lease expiry	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type	Effective interest	Year of completion
The Pavilia Bay Tsuen Wan Town Lot No. 402, West Rail Tsuen Wan West Station, Tsuen Wan, New Territories, Hong Kong	2063	148,586	675,021	Residential	20%	2018

* Up to the date hereof, 980 units have been sold and 3 units remained unsold.

Five-Year Financial Summary

Group results

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**251,477**	101,780	96,460	91,244	89,067
Profit for the year	**133,349**	676,843	155,149	131,320	161,705
Attributable to:					
Shareholders of the Company	**133,363**	676,843	155,149	131,320	161,705
Non-controlling interests	**(14)**	–	–	–	–
	133,349	676,843	155,149	131,320	161,705

Summary consolidated statement of financial position

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**4,262,236**	2,306,572	2,053,988	2,187,439	2,080,410
Net current assets	**366,238**	1,401,161	985,802	704,000	689,498
Total assets less current liabilities	**4,628,474**	3,707,733	3,039,790	2,891,439	2,769,908
Non-current liabilities	**(863,940)**	(40,966)	(38,180)	(33,292)	(31,395)
Net assets	**3,764,534**	3,666,767	3,001,610	2,858,147	2,738,513
Equity attributable to:					
Shareholders of the Company	**3,764,267**	3,666,767	3,001,610	2,858,147	2,738,513
Non-controlling interests	**267**	–	–	–	–
Total equity	**3,764,534**	3,666,767	3,001,610	2,858,147	2,738,513