



**KECK SENG INVESTMENTS  
(HONG KONG) LIMITED**

*Stock Code : 184*

**ANNUAL REPORT 2019 ANNUAL REPORT 2019**



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# FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Total Assets	6,832,121	6,603,802
Total equity attributable to Equity Shareholders	3,699,208	3,750,288
Issued Share Capital	498,305	498,305
Revenue	1,943,399	2,022,401
Profit Before Taxation	45,087	335,931
Profit Attributable to Equity Shareholders	5,516	196,579
Basic Earnings Per Share (cents)	1.6	57.8
Dividends Attributable to the year (cents per share)	8.0	16.0

## CORPORATE INFORMATION

### DIRECTORS

HO Kim Swee @ HO Kian Guan – *Executive Chairman*

HO Cheng Chong @ HO Kian Hock  
– *Deputy Executive Chairman*

TSE See Fan Paul

CHAN Lui Ming Ivan

YU Yuet Chu Evelyn

HO Chung Tao

HO Chung Hui

\* HO Eng Chong @ HO Kian Cheong

\*\* CHAN Yau Hing Robin  
(*retired with effect from 6 June 2019*)

\*\* KWOK Chi Shun Arthur

\*\* WANG Poey Foon Angela

\*\* YU Hon To David

\*\* Stephen TAN  
(*appointment with effect from 6 June 2019*)

HO Chung Kain @ HE Chongjing  
(*Alternate to HO Chung Hui*)

\* HO Chung Kiat Sydney @ HE Chongjie Sydney  
(*Alternate to HO Kian Cheong*)

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

### AUDIT COMMITTEE

YU Hon To David – *Chairman*

KWOK Chi Shun Arthur

WANG Poey Foon Angela

Stephen TAN

### REMUNERATION COMMITTEE

WANG Poey Foon Angela – *Chairman*

KWOK Chi Shun Arthur

YU Hon To David

Stephen TAN

TSE See Fan Paul

YU Yuet Chu Evelyn

### NOMINATION COMMITTEE

KWOK Chi Shun Arthur – *Chairman*

WANG Poey Foon Angela

YU Hon To David

Stephen TAN

TSE See Fan Paul

HO Chung Tao

### AUDITORS

KPMG

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

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

### SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### COMPANY SECRETARY

NG Sing Beng

### REGISTERED OFFICE

Room 2902 West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

### COMPANY'S WEBSITE

[www.keckseng.com.hk](http://www.keckseng.com.hk)

# CHAIRMAN'S STATEMENT

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On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2019.

## RESULTS

The consolidated Group net profit attributable to equity shareholders for the year 2019 amounted to HK\$5.5 million, a decrease of 97.2% as compared to HK\$196.6 million in 2018. Earnings per share for the year 2019 amounted to HK\$0.016 per share as compared to HK\$0.578 per share in 2018.

## DIVIDENDS

The Board is recommending that a final dividend of HK\$0.045 per share be paid for the year ended 31 December 2019. An interim dividend of HK\$0.035 per share has already been paid. Subject to equity shareholders' approval of the final dividend at the forthcoming Annual General Meeting of the Company, total dividends for the year will be HK\$0.08 per share.

## REVIEW OF OPERATIONS

The Group's revenue for 2019 was HK\$1,943.4 million, a decrease of 3.9% as compared to HK\$2,022.4 million in 2018.

Operating profit was HK\$334.3 million, a decrease of 5.0% as compared to HK\$352.0 million in 2018. As a result of an impairment loss of HK\$274.1 million being recognised during the year of 2019, the profit after tax for the year dropped to HK\$124.3 million, a reduction of 60.7% as compared to HK\$316.5 million in 2018.

A summary and analysis of the operations are as follows:

### Macau

Macau's economy faced headwinds in 2019 resulting from slower economic growth in Mainland China, as well as the civil unrest in Hong Kong, both of which have negative impact on Macau's gaming and tourism sectors.

In 2019, Macau's GDP was recorded at MOP434.7 billion, a decrease of 4.7% from 2018. The contraction was mainly caused by the decrease in the number of major construction projects and exports of gaming and tourism services. Other GDP components such as private consumption expenditures and government expenditures generally recorded moderate growth in 2019. Labour market in Macau was broadly stable and the unemployment rate remained low at around 1.7% at the end of 2019.

The sale of properties by the Group in Macau was HK\$6.1 million during 2019 as compared to HK\$16.9 million during 2018.

The leasing market was broadly stable in 2019. Income from leasing of Macau properties of the Group increased by 7.2% year-on-year as compared to HK\$94.3 million in 2019. The increase was mainly driven by positive rental reversions and higher occupancy rate.

After reviewing Macau property market conditions and the state of the economy, the Group has decided to defer sale of the properties currently classified under properties held for sale to a later time in order to capture the benefits to be accrued with the opening of the Hong Kong-Zhuhai-Macau Bridge and the newly opened Macau light-rail transit system in December 2019. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

# CHAIRMAN'S STATEMENT (continued)

## The People's Republic of China

**Holiday Inn Wuhan Riverside** The Chinese economy has been undergoing a period of adjustment in 2019. The GDP in 2019 grew by 6.1%, the lowest in 29 years, as compared to annual growth rate of 6.6% in 2018. GDP of Wuhan in 2019 grew by 7.8%, as compared to 10.7% in 2018.

The occupancy rate of Holiday Inn Wuhan Riverside slightly increased from 70.1% in 2018 to 70.8% in 2019. Average room rate had slightly increased to RMB424 during the year, as compared to RMB421 in 2018.

Gross operating revenue decreased by 1% in 2019 to RMB52.9 million, as compared to RMB53.4 million in 2018, primarily as a result of decrease in food and beverage revenue.

## Vietnam

For 2019, the economy expanded 7.0% year-on-year, compared to a 7.1% expansion in 2018. GDP annual growth rate in Vietnam averaged 6.54% from 2000 until 2019.

**Sheraton Saigon Hotel and Towers** Vietnam strengthened its position as a major tourism destination area in Southeast Asia with visitor arrivals up by 16.2% for the year on a nationwide basis. This was reflected in Sheraton Saigon Hotel & Towers' average room rate which increased to US\$188 as compared to US\$169 in 2018, with a reduction in the occupancy rate to 64.4% in 2019, as compared to 70.9% in 2018. The hotel's financial performance in terms of gross operating profit in 2019 was up by 2.6% year-on-year.

Going forward, the hotel will strengthen its market positioning to derive maximum benefit from the Marriott brand name and its global network, both in terms of driving revenue, achieving synergies and cost-savings in operations.

**Caravelle Hotel** Occupancy rate increased from 62.5% in 2018 to 65.2% in 2019. Average room rate has increased to US\$142 in 2019, as compared to US\$125 in 2018. Gross operating revenue of the hotel has been reduced to US\$11.0 million in 2019 due to ongoing hotel renovation during the year, as compared to US\$13.5 million in 2018.

## Japan

Estimated Japanese GDP in 2019 grow 0.9%, as compared to 0.8% in 2018.

**Best Western Hotel Fino Osaka Shinsaibashi** The competition in the Osaka lodging market had increased due to a number of new hotels being completed and the increase in private lodging choices. The hotel's occupancy rate in 2019 dropped to 84.9%, as compared to 89.1% in 2018. Average room rate also dropped to Yen8,499 in 2019, as compared to Yen9,630 in 2018. Gross operating profit has decreased by 26.8% in 2018 to Yen268.9 million, as compared to Yen367.5 million in 2018.

## CHAIRMAN'S STATEMENT (continued)

### The United States ("US")

Growth of the US economy slowed down slightly in 2019. Estimated GDP in 2019 grew 2.3%, as compared to 2.9% in 2018.

**W San Francisco** W San Francisco's occupancy dropped to 69.5% in 2019 versus 77.7% in 2018 due to the renovation project. Average room rate was US\$362 in 2019, as compared to US\$354 in 2018.

W San Francisco's service excellence continued to be well recognised. The property received the Verified Luxury awarded by Forbes Travel Guide in 2019. In December 2019, it has completed its guest room renovation and launched an expanded portfolio of exceptional guest services upon completion.

**Sofitel New York** In 2019, New York's estimated economic growth is around 2.0%, which is slightly lower than the national average.

The New York lodgings marketplace continued to face challenges in 2019. The overall supply of new guestrooms outpaced the demand for accommodations, which put downward pressure on average room rates. Average room rate was US\$352 per room night in 2019, as compared to US\$360 per room night in 2018. Occupancy had slightly increased to 89.0% versus 87.4% in 2018.

Due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms, the Group had assessed the recoverable amount of the hotel and recognised HK\$274.1 million as impairment loss during the year. However, it is expected that the recent regulations to restrict hotel developments in New York City, will curtail the net supply growth in the market, going forward. It is further expected that the over-supply will be gradually absorbed over the course of the next few years.

### Canada

Economic activity in Canada remained flat in 2019 with a GDP growth rate of 1.7%.

**Sheraton Ottawa Hotel** Ottawa's estimated economic growth in 2019 is around 1.4%, as compared to GDP growth in 2018 of 2.2%. Occupancy rate of Sheraton Ottawa Hotel had slightly decrease to 76.9% in 2019 versus 77.4% in 2018. Average room rate was C\$182 in 2019 versus C\$191 in 2018.

On 10 March 2020, the Group has entered into an agreement to acquire additional 35% interest in Sheraton Ottawa Hotel at a cash consideration of C\$11.2 million (equivalent to approximately HK\$63.8 million). The acquisition, upon completion, will allow the Group to increase its share in the hotel from 50% to 85%, thereby allowing enhanced management control and greater operating efficiency for the hotel.

**Delta Hotels by Marriott Toronto Airport & Conference Centre** Toronto's estimated economic growth in 2019 is around 2.0%, as compared to 2.4% in 2018.

Room rates had slightly increased to C\$138 in 2019 versus C\$137 in 2018 whilst occupancy rate had slightly decreased to 71.6% in 2019 versus 73.3% in 2018

# CHAIRMAN'S STATEMENT (continued)

## Other net gains/(losses)

Net exchange loss for 2019 amounted to HK\$10.9 million, as compared to a net exchange loss of HK\$8.7 million in 2018.

Net realised and unrealised losses on derivative financial instruments amounted to HK\$4.4 million in 2019, as compared to losses of HK\$0.1 million in 2018.

Net unrealised gains on other non-current financial assets amount to HK\$34.4 million recognised in 2019. These were mainly related to our investment in A2I Holdings S.A.R.L., which owns 7.02% equity shares of AccorInvest Group S.A..

Net unrealised gains on trading securities for 2019 amounted to HK\$3.0 million, as compared to losses of HK\$0.1 million in 2018.

There was a loss on disposal of property, plant and equipment in 2019 amounting to HK\$11.3 million, as compared to a loss of HK\$8.2 million in 2018. These were related to disposal of furniture, fixtures and equipment.

## PROSPECTS

Although global economic conditions are expected to benefit from the conclusion of the first phase of the Sino-US trade deal, global economy is still facing an unprecedentedly challenging environment as we head into 2020. In addition to the upcoming US presidential election and the impact of Brexit, the outbreak of novel coronavirus (COVID-19) in January 2020 and its continuing evolution on a global basis will undoubtedly impact significantly the performance of the global economy in 2020.

In addition to disruption to manufacturing operations and economic activities worldwide, additional measures by various countries to contain the outbreak of the pandemic include the imposition of widespread travel bans, advice by health authorities to implement restrictions against public activities, and curtailment of normal social activities. Under these circumstances, global economic growth will be severely impacted in the short and medium term, resulting in significant disruption to global supply chains and global trade patterns, and posing a significant threat to the world economy.

Macau rental income is facing downside pressure in 2020 as Macau's economy is also expected to suffer from sluggish performance in the gaming, tourism and property sectors in 2020. It is expected that rental revenue for retail properties will be adjusted downwards as a result of concessionary rental rates during this period, as well as upon reversion of current rental period.

As for the hotel division, given our outlook for the global economy as described above, we expect EBITDA for the hotels will slow down in 2020, or even show negative growth. We will continue to monitor developments in order to assess the magnitude and duration of the impact.

In view of the recent pandemic outbreak, the Group has taken steps to consider implementation of a number of rental relief measures for a majority of shopping mall tenants in order to ease their operating pressure, as well as take proactive procedures to step up hygiene and sanitation procedures, and health check measures in hotels, buildings and properties owned and managed by the Group. These measures extend to hotel guests and well as associates of the Group.

At this point in time, the Group cannot determine the duration of the pandemic and therefore we are not yet able to quantify the full financial impact. We wish to highlight that a prolonged coronavirus crisis will have a material effect on our 2020 financial results and the performance of our overseas hotel and property rental portfolio.

## CHAIRMAN'S STATEMENT (continued)

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Looking ahead, the Group will closely monitor the exposure to the risk and uncertainties and take necessary actions to minimise the impact of the business operations and financial performances to the Group in response to the COVID-19 pandemic and its aftermath.

The Group seek to capitalise on our solid financial position established over the years and will continue to adopt a disciplined approach towards acquisitions. The Group will continue to target industries and cities where we can take advantage of our inherent strength and experiences, and to create long-term value on a sustainable basis for shareholders.

### ACKNOWLEDGEMENT

On behalf of the Board, I wish to express my sincere appreciation to the management and staff of our Group for their diligence, dedication and loyalty. We wish to particularly offer our best wishes to the management and associates of Holiday Inn Wuhan Riverside and to put on record our gratitude for their selflessness and courage in the face of COVID-19 and in their efforts to ensure that hotel operations continue under extreme conditions. Management and staff of all our hotels and offices across the globe have done their utmost under very trying circumstances. The property management associates in Macau deserves special mention. They have displayed a willingness to sacrifice time and devote efforts in order to maintain the high standard of professional service which we offer to residents and clients in our property portfolio.

The independent non-executive directors have continued to dispense their invaluable advice generously and in a professional manner. To them, we also owe our sincere gratitude.

**Ho Kian Guan**  
*Executive Chairman*

Hong Kong, 25 March 2020



# REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) are hotel and club operations, property investment and development and the provision of management services.

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 12 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 10 to the financial statements.

## BUSINESS REVIEW AND PERFORMANCE

Further discussion and analysis of the Group’s principal activities and business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing by the Group, indication of likely future developments in the Group’s business, analysis of the Group’s performance during the year and the material factors underlying its results and financial position, can be found in “Corporate Governance Report”, “Chairman’s Statement” and “Other Corporate Information” sections of the Annual Report. The environmental and social matters of the Group for the year ended 31 December 2019 is set out in the Company’s Environmental, Social and Governance (“ESG”) Report 2019, which will be published in June 2020. This discussion forms part of this “Report of the Directors”. A description of the important events affecting the Group that have occurred since the end of the financial year 2019 are set out in Note 32 to the financial statements.

## OUR ESG GOVERNANCE

Sustainability and environmental conservation are important issues for our customers, suppliers, shareholders, employees, regulatory bodies and governments of respective countries, and the general public. The Group is committed to the long-term sustainability of its businesses and communities where our stakeholders work and reside. We aim to do businesses fairly, ethically and in accordance with local laws that promote and safeguard fair competition between businesses. We seek to work with contractors and suppliers that behave in an economical, environmentally friendly and socially responsible manner.

The Group considers that there is a close linkage between its Environmental, Social and Governance strategy and business operations. ESG strategy and policies facilitate the Group’s understanding of its exposure to emerging environmental and social risks, and its linkage to new commercial opportunities. Our hotels strictly follow their hotel chains’ sustainability goals which consist of reduction of environmental impact, community and employee development and human right initiatives. ESG reporting is the process by which the Group gathers data to monitor, control and manage its environmental performance and social responsibilities.

We are committed to create an open, transparent and safe working environment where our employees feel comfortable to work in. A confidential whistle-blowing mechanism has been established to ensure all raised concerns are promptly responded and followed up by our Internal Audit Team and Audit Committee.

Our employment contracts stipulate that all staffs must act with integrity with their behavior made in best interest of the Group and to comply with all relevant local regulations. Any violations with our employment contract will be subject to disciplinary actions or terminations.

## REPORT OF THE DIRECTORS (continued)

In the financial year of 2019,

- No incident of corruption practices was identified.
- There was no incident of significant non-compliance with any relevant laws and regulations in all material aspects for the business operation of the Group.

### OUR EMPLOYEES

#### Our Workforce Diversity

At Keck Seng Investments, we strongly believe workforce diversity is key to our success. Since our Group invest in properties across the globe, we need to embrace workplace diversity in order to bring in the best talents, provide broader range of services, better cater to our customers' needs, and enable our employees to perform to their highest ability.

Our Group (including our properties) follows local labor laws and only recruit employees within legal working age. Personal information of applicants is fully inspected to ensure no child and forced labor are employed.

#### Our Relations with Employees

We believe attracting and retaining loyal employees in the respective geographical areas of operations is central to our success. We are an equal opportunities employer and aim to provide a work environment that is respectful, challenging, rewarding and safe. We have policies covering training and development, labor practices, human rights and workplace health and safety. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. We pursue the highest standards of integrity and honesty from every employee in every process.

We provide orientation to new employees with many on-the-job training opportunities. In addition, we encourage our employees to attend job-related external courses to enrich their knowledge and skills.

It is our responsibility to reward our employees with their hard work and dedication. Salary and remuneration are competitive and are based on varying conditions in different countries in which the Company and its subsidiaries operate. Discretionary bonus is paid out according to the performance of the employees and the policies of the company. To help our employees develop their careers, employees with exceptional performance and the required experience are considered for promotion when such opportunities are available.

#### Our Work Place Safety

Keck Seng Investments is committed to provide a safe working environment for its employees. We comply with all applicable local laws and regulations on work safety to minimise the possibility of employees getting injured when performing their duties. General and customised occupational safety training sessions are provided to employees based on their specific roles and responsibilities.

During the year there were no work-related fatalities. The Group has 687 (2018: 256) lost days due to work injury.

### OUR COMMUNITY

Social sustainability and community investments are essential to our responsible operation and are valued in our communities. The Group conducts business with honesty, integrity and respect for all people and communities, especially towards our employees. Dialogue between management and employees is integral to our work practices and takes place daily and directly in the respective local cultural environments.

## REPORT OF THE DIRECTORS (continued)

This year we have participated in different social activities as follows:

- Education
- Environmental Protection and Concerns
- Children/Youth Welfare
- Women Welfare
- Support for Poverty
- Humanitarian Support
- Health and Community Support
- Labour Needs

Charitable donations made by the Group during the year amounted to HK\$1,210,470 (2018: HK\$1,539,934) on an aggregated basis.

### OUR ENVIRONMENTAL AREA

The Group maintains a global perspective on managing our emissions, minimising consumption of fresh water and energy. The local management of each major reporting entity is accountable to ESG management, performance and reporting. The Group (including its subsidiaries and associates) has complied with all environmental regulations and internal policies related to environmental responsibility. We aim to improve our performance continually in line with best practices, and to be prepared to respond to future challenges and opportunities on sustainable development.

No incident of significant non-compliance with relevant environmental policies, laws and regulations was identified in 2019 for our Group.

### Our Use of Resources

Throughout the year our company and subsidiaries had implemented a number of initiatives on saving energy and water usage including the following:

- Replace old lightings with LED lightings
- Utilise solar energy
- Replace cooling tower pump
- Install water saving facilities
- Water recycling
- Training on water saving

None of our subsidiaries have issues on sourcing water that is fit for use and consumption.

### Our Environment and Natural Resources

Our property management and hotel operations produce wastes such as food scraps, oil and cleaning chemical disposals. In addition, significant amount of water, electricity, diesel and gas need to be utilised for daily operations.

Continuous efforts had been made by our properties to minimise our operations' impact on the environment and natural resources:

- Waste recycling
- Energy and water saving
- Donation of unused materials and linens

## REPORT OF THE DIRECTORS (continued)

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Our hotels actively participate in environment-friendly initiatives organised by their respective hotel chains. We aim to minimise emissions, waste production and use of resources. Our properties have received a lot of recognitions on their respective efforts to protect the environment during the year.

### OUR OPERATIONS

The Group is committed to ensure that its affairs are conducted in accordance with high ethical standards. By doing so, the Group believes that shareholders' wealth will be maximised in the long term. Further, its employees, those with whom it does business, and the communities in which it operates will all stand to benefit.

We aim to do businesses fairly, ethically and in accordance with local laws that promote and safeguard fair competition between businesses.

### Our Service Quality

We maintain mutually beneficial relationship with our customers and strive to provide quality service. Our properties mainly provide property management, property sale & leasing, hotel room accommodations and food & beverage services. In 2019, none of our products/services are subject to recall due to safety and health reasons.

We put customers at the heart of our business. Product and service related complaints from customers are received and replied and followed up promptly. Our management and staffs also ensure that such complaints are resolved in a satisfactory manner.

Our property management business in Macau (Ocean Gardens) is ISO9001:2015 certified. In order to achieve this accreditation, we have to demonstrate our ability to provide services that meet customer needs and comply with applicable regulatory requirements. Our hotel properties have stringent quality assurance procedures in place to ensure service provided is in accordance with international hotel chain requirements.

### Our Suppliers

Suppliers and contractors are selected based on work quality, stock delivery manner, cooperation and price. We seek to work with contractors and suppliers that behave in an economical, environmentally friendly and socially responsible manner.

Where possible, we purchase environmentally friendly products from qualified vendors to reduce the negative impacts on the environment.

### Our Customers' Privacy and Data Protection

At Keck Seng Investments, we protect customer data privacy and we comply with all relevant laws and regulations. Internal procedures are established for protecting customer data and they are disseminated to all relevant staffs.

We inform our customers the purpose and recipients of data during data collection. We only collect personal data that is necessary for conducting our business and we retain personal data for the period necessary in compliance with relevant provisions. Stored customer information is only accessible to authorised personnel.

We had received no complaints regarding leakage or loss of customer data in 2019.

## REPORT OF THE DIRECTORS (continued)

### Our Respect for Intellectual Property Rights

We respect intellectual property rights and our properties comply with relevant laws and regulations on intellectual property. Internal procedures are established for intellectual property rights protection and they are disseminated to all relevant staffs. Our properties only purchase authentic software licenses.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's principal activities are property investment and development. Other activities include hotel operations, building management and club operations. Operations are carried out mainly in Macau, Vietnam, the People's Republic of China, Japan, Canada, United States and Hong Kong. The law and regulation relating to the Group's operations include:

- Air and greenhouse gas emission
- Discharges and waste practices
- Exploitation and use of water resources
- Real estate management
- Sales and transfer of real estate
- Labor protection
- Work place safety
- Supply chain management
- Hotel and Food safety
- Anti-corruption

There is an adequate measurement and monitoring system employed to implement ESG strategy which indicates that the business operations have complied with the requirements of local laws & regulations (if required) and relevant hotel brands' rules & regulations on an ongoing process. During 2019, there was no reported incident of non-compliance with the relevant laws and regulations that have a significant impact on Group's business.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.
- (ii) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 50 to 121.

### TRANSFER TO RESERVES

Profits attributable to equity shareholders, before dividends, of HK\$5,516,000 (2018: HK\$196,579,000) have been transferred to reserves. Other movements in reserves of the Company are set out in Note 24 to the financial statements.

An interim dividend of HK\$0.035 per share (2018: HK\$0.04 per share) was paid on 25 October 2019. The Directors now recommend the payment of a final dividend of HK\$0.045 per share (2018: HK\$0.12 per share) in respect of the year ended 31 December 2019.

## REPORT OF THE DIRECTORS (continued)

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$1,210,470 (2018: HK\$1,539,934).

### DIRECTORS

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

#### Executive Directors

HO Kim Swee @ HO Kian Guan (*Executive Chairman*)  
 HO Cheng Chong @ HO Kian Hock (*Deputy Executive Chairman*)  
 TSE See Fan Paul  
 CHAN Lui Ming Ivan  
 YU Yuet Chu Evelyn  
 HO Chung Tao  
 HO Chung Hui  
 HO Chung Kain @ HE Chongjing (*Alternate to HO Chung Hui*)

#### Non-executive Directors

HO Eng Chong @ HO Kian Cheong  
 HO Chung Kiat Sydney @ HE Chongjie Sydney (*Alternate to HO Kian Cheong*)

#### Independent Non-executive Directors

CHAN Yau Hing Robin (*retired with effect from 6 June 2019*)  
 KWOK Chi Shun Arthur  
 WANG Poey Foon Angela  
 YU Hon To David  
 Stephen TAN (*appointment with effect from 6 June 2019*)

Mr. HO Kian Guan, Mr. HO Kian Hock, Mr. TSE See Fan Paul and Ms. WANG Poey Foon Angela will retire as Directors in accordance with Article 116 of the Articles of Association and being eligible, offer themselves for re-election at the Annual General Meeting.

Ms. WANG, who has been serving as Independent Non-executive Director of the Company for more than 9 years, has confirmed her independence with reference to the factors set out in Rule 3.13 of the Listing Rules. On the recommendation of the nomination committee, the Board form the view that the retiring Independent Non-executive Director is independent in accordance with the independence guidelines set out in the Listing Rules.

Mr. Stephen TAN was appointed as Independent Non-executive Director on 6 June 2019. The Company considers Mr. Tan to be independent and a suitable candidate for being an Independent Non-executive Director notwithstanding that he is son of Dr. CHAN Yau Hing, Robin, who retired as Independent Non-executive Director on 6 June 2019. The Company believes that Mr. Tan meets all of the independence factors set out in Rule 3.13 of the Listing Rules since there is no business relationship between the Company and Mr. Tan. In any event, the Company is of the view that the fact that Dr. Chan himself being an Independent Non-executive Director and Mr. Tan being son of Dr. Chan does not and should not automatically render Mr. Tan not independent under Rule 3.13 of the Listing Rules. For identifying suitable candidates as Independent Non-executive Directors, the Nomination Committee of the Company had set out a list of preferred background and qualification. In terms of his expertise in the banking, insurance and finance sectors and experience in hotel and property investment on a worldwide basis, Mr. Tan fulfills most of the criteria set out in the abovementioned list. As such, the Company considers that the appointment of Mr. Tan as Independent Non-executive director to the Board will be of value to the Company and will contribute to the diversity of the Board.

## REPORT OF THE DIRECTORS (continued)

The Company has not entered into service contracts with any of the above Directors. However, the Company has entered into a letter of appointment as Director with each of the above Directors in December 2019.

The Non-executive Directors are not appointed for a fixed period of term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with Company's Articles of Association.

### DIRECTORS OF SUBSIDIARIES

The names of directors who have served on the boards of the subsidiaries of the Company the year and up to the date of the report are set below and those marked with an asterisk\* are not directors as at the date of the report:

*(In alphabetical order)*

CHAN Lui Ming Ivan  
 HO Chung Hui  
 HO Chung Kain  
 HO Chung Tao  
 HO Kian Guan  
 HO Kian Hock  
 HO Pansy Catilina Chiu King  
 HOANG Hai Dang  
 KWOK Chi Shun Arthur  
 Lawrence David SPERLING\*  
 LE Ngoc Co  
 LEE Hwee Leng  
 LEE Sek Yean  
 NG Sing Beng  
 NGUYEN Dinh Phu  
 NGUYEN Thi Muoi Hai  
 PENG Xing Wang  
 Satoshi KISHIMOTO  
 SITOU Tek Lam Johnny  
 TSE See Fan Paul  
 TSE Yee Ming  
 YU Yuet Chu Evelyn

### CONNECTED TRANSACTIONS

The Board has reviewed all connected transactions of the Company which were undertaken in the normal course of business. All of these transactions were exempted from any reporting requirements under the Listing Rules. Details of material related party transactions which were undertaken in the normal course of business are set out in Note 27 to the Financial Statements.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The Directors of the Company who held office as at 31 December 2019 had the following interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"):

## REPORT OF THE DIRECTORS (continued)

### Number of ordinary shares (unless otherwise specified)

#### Long Positions:

Name of Company	Name of Directors	Personal Interests <sup>(1)</sup>	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Limited	HO Kian Guan	496,480	197,806,320 <sup>(2)</sup>	198,302,800	58.29
	HO Kian Hock	20,480	197,806,320 <sup>(2)</sup>	197,826,800	58.15
	HO Kian Cheong	55,160,480	—	55,160,480	16.21
	TSE See Fan Paul	288,720	—	288,720	0.08
Lam Ho Investments Pte Ltd	HO Kian Guan	—	32,410,774 <sup>(3)</sup>	32,410,774	99.70
	HO Kian Hock	—	32,410,774 <sup>(3)</sup>	32,410,774	99.70
	HO Kian Cheong	96,525	—	96,525	0.30
Shun Seng International Limited	HO Kian Guan	—	83,052 <sup>(4)</sup>	83,052	83.05
	HO Kian Hock	—	83,052 <sup>(4)</sup>	83,052	83.05
	HO Kian Cheong	1,948	—	1,948	1.95
Hubei Qing Chuan Hotel Company Limited – paid in registered capital in US\$	HO Kian Guan	—	13,163,880 <sup>(5)</sup>	13,163,880	80.76
	HO Kian Hock	—	13,163,880 <sup>(5)</sup>	13,163,880	80.76
	HO Kian Cheong	1,017,120	—	1,017,120	6.24
	KWOK Chi Shun Arthur	—	489,000 <sup>(6)</sup>	489,000	3.00
Golden Crown Development Limited – common shares	HO Kian Guan	—	56,675,000 <sup>(7)</sup>	56,675,000	80.96
	HO Kian Hock	—	56,675,000 <sup>(7)</sup>	56,675,000	80.96
	HO Kian Cheong	1,755,000	—	1,755,000	2.51
	TSE See Fan Paul	50,000	—	50,000	0.07
Ocean Gardens Management Company Limited	HO Kian Guan	—	100,000 <sup>(8)</sup>	100,000	100.00
	HO Kian Hock	—	100,000 <sup>(8)</sup>	100,000	100.00
Shun Cheong International Limited	HO Kian Guan	—	4,305 <sup>(9)</sup>	4,305	43.05
	HO Kian Hock	—	4,305 <sup>(9)</sup>	4,305	43.05
	HO Kian Cheong	195	—	195	1.95
	KWOK Chi Shun Arthur	—	5,500 <sup>(10)</sup>	5,500	55.00
KSF Enterprises Sdn Bhd – ordinary shares	HO Kian Guan	—	28,405,000 <sup>(11)</sup>	28,405,000	100.00
	HO Kian Hock	—	28,405,000 <sup>(11)</sup>	28,405,000	100.00
KSF Enterprises Sdn Bhd – Redeemable Convertible Preference	HO Kian Guan	—	24,000,000 <sup>(12)</sup>	24,000,000	100.00
	HO Kian Hock	—	24,000,000 <sup>(12)</sup>	24,000,000	100.00
Chateau Ottawa Hotel Inc. – common shares	HO Kian Guan	—	4,950,000 <sup>(13)</sup>	4,950,000	55.00
	HO Kian Hock	—	4,950,000 <sup>(13)</sup>	4,950,000	55.00
Chateau Ottawa Hotel Inc. – preferred shares	HO Kian Guan	—	1,485,000 <sup>(14)</sup>	1,485,000	55.00
	HO Kian Hock	—	1,485,000 <sup>(14)</sup>	1,485,000	55.00



## REPORT OF THE DIRECTORS (continued)

### Notes:

- (1) This represents interests held by the relevant Directors as beneficial owners.
- (2) This represents 101,159,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (3) This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (4) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (5) This represents US\$8,965,000 (55%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (6) This represents interests held by AKAA Project Management International Limited which was wholly owned by KWOK Chi Shun Arthur.
- (7) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (8) This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (9) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (10) This represents interests held by Ample Star Enterprise Limited, in which KWOK Chi Shun Arthur had a controlling interest.
- (11) This represents 7,101,250 ordinary shares (25%) directly held by the Company, 7,101,249 ordinary shares (25%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly and 14,202,501 ordinary shares (50%) held by Keck Seng (Malaysia) Bhd in which each of HO Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (12) This represents 6,000,000 Redeemable Convertible Preference Shares (25%) directly held by the Company, 6,000,000 Redeemable Convertible Preference Shares (25%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly and 12,000,000 Redeemable Convertible Preference Shares (50%) held by Keck Seng (Malaysia) Bhd in which each of HO Kian Guan and HO Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (14) This represents 1,350,000 preferred shares (50%) indirectly held by the Company and 135,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.

Save as mentioned above, as at 31 December 2019, none of the Directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code.

## REPORT OF THE DIRECTORS (continued)

### SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2019, the interests and short positions of those persons (other than the directors) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
KS Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,806,320	58.1
Pad Inc. (Note 1)	Interests of controlled corporations	96,646,960	28.4
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited (Note 2)	Beneficial owner	101,159,360	29.7
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4

#### Notes:

- (1) KS Ocean Inc., Pad Inc., Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) KS Ocean Inc. had deemed interests in the same 101,159,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, as at 31 December 2019, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

### MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2019, there existed the following arrangements for an indefinite period:

- (1) Goodland Limited ("Goodland") acts as the project manager of Golden Crown Development Limited for its Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development.
- (2) Goodland provides management services to Ocean Incorporation Ltd in return for a management fee.

Messrs HO Kian Guan and HO Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

## REPORT OF THE DIRECTORS (continued)

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended 31 December 2019, certain subsidiaries of the Company had transactions with Goodland as set out in Note 27 to the financial statements.

Messrs HO Kian Guan and HO Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

Apart from the foregoing and the management arrangements set out above, no transactions, arrangements or contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

### INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Wuhan Riverside, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr. HO Kian Guan is a non-executive director of SAL, a company whose shares are listed on the Stock Exchange of Hong Kong Limited and Mr. HO Chung Tao is his alternate on the board of SAL.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2019 are set out in Note 19, Note 22 and Note 27 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

### 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 122 of the Annual Report.

## REPORT OF THE DIRECTORS (continued)

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### PROPERTIES

Particulars of the properties and property interests of the Group are shown on page 123 to 124 of the Annual Report.

### PERSONNEL AND RETIREMENT SCHEMES

At 31 December 2019, the Group had approximately 1,931 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

### CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

### AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**HO Kian Guan**

*Executive Chairman*

Hong Kong, 25 March 2020

# OTHER CORPORATE INFORMATION

## FINANCIAL REVIEW

The Group's revenue was HK\$1,943.4 million for the year ended 31 December 2019, a slightly decrease of 3.9% compared to year 2018. Proceeds from sales of properties in Macau this year was HK\$6.1 million (2018: HK\$16.9 million). Decrease in revenue was primarily attributable to the decrease in revenue from hotel and club operations and proceeds from sales of properties. The Group's operating profit was HK\$334.3 million for the year ended 31 December 2019 as compared to HK\$352.0 million in 2018.

During the year ended 31 December 2019, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms. The Group assessed the recoverable amount of this hotel property and as a result the overall carrying amount of the hotel property was written down to its recoverable amount of HK\$1,479.9 million. Accordingly, impairment loss of HK\$274.1 million was recognised as a separate line item in the Group's consolidated statement of profit or loss. No impairment loss nor reversal of impairment loss on a hotel property was recognised during the year ended 31 December 2018.

Profit attributable to equity shareholders amounted to HK\$5.5 million (2018: HK\$196.6 million).

As at 31 December 2019, the Group has total bank loan of HK\$1,784.7 million (2018: HK\$1,554.8 million) and deposits and cash of HK\$1,978.5 million (2018: HK\$1,821.1 million). Of the total bank borrowings, HK\$1,701.0 million (2018: HK\$144.7 million) are repayable within one year, HK\$83.7 million (2018: HK\$1,410.1 million) are repayable after one year but within five years.

The Group's bank borrowings are mainly denominated in United States dollars, Vietnamese Dong and Canadian dollars. Bank deposits and cash are mostly in United States dollars, Hong Kong dollars, Renminbi, Japanese Yen and Canadian dollars. The Group's bank borrowings are on floating rate. Taking into account of cash at bank and in hand and credit facilities available, the Group has sufficient working capital for its present requirements.

## KEY PERFORMANCE INDICATORS ("KPIs")

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

### Operational KPIs:

Operation and investment	Country	Star rated	Cur.	2019 Occupancy		2018 Occupancy	
				Rate	ARR	Rate	ARR
Sofitel New York	USA	5	USD	89%	352	87%	360
W San Francisco	USA	5	USD	70%	362	78%	354
Sheraton Saigon Hotel & Towers	Vietnam	5	USD	64%	188	71%	169
Caravelle Hotel	Vietnam	5	USD	65%	142	63%	125
Sheraton Ottawa Hotel	Canada	4	CAD	77%	182	77%	191
Delta Hotels by Marriott Toronto Airport & Conference Centre	Canada	4	CAD	72%	138	73%	137
Holiday Inn Wuhan Riverside	PRC	4	RMB	71%	424	70%	421
Best Western Hotel Fino Osaka Shinsaibashi	Japan	3	YEN	85%	8,499	89%	9,630

- *Occupancy Rate (Total number of Rooms Nights booked relative to Total number of Available Rooms Nights for Guests over the year)*
- *Average Room Rate (Total Room Revenue divided by Total Room Nights Occupied)*

## OTHER CORPORATE INFORMATION (continued)

### Financial KPIs:

Strategy	KPIs	Calculation basis
To maintain a healthy liquidity ratio	Bank loan to Total assets ratio = 26% (2018: 24%)	Percentage of Total bank loans relative to the Total assets as at the respective year end
	Leverage ratio = 36% (2018: 33%)	Percentage of Total liabilities relative to the Total assets as at the respective year end
To maintain a healthy cash flow	Times interest covered by Profits = 2 (2018: 6)	Ratio of Profit for the year to Finance costs
	Times interest covered by Deposits and cash = 33 (2018: 33)	Ratio of Deposits and cash (including pledged deposits) to Finance costs

### PLEDGE OF ASSETS

As at 31 December 2019, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,774.3 million (2018: HK\$2,686.9 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

### CONTINGENT LIABILITIES

At 31 December 2019, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (2018: HK\$8,252,000).

At 31 December 2019, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

## PROFILES OF DIRECTORS

**Mr. HO Kian Guan**, aged 74, is the Executive Chairman of the Company and director of various companies of the Group. He was appointed as a Director of the Company on 5 December 1979. Mr. Ho is also the executive chairman and director of Keck Seng (Malaysia) Berhad (listed on the Bursa Malaysia Securities Berhad (the “BMSB”)) and serves on the board of Shangri-La Asia Limited (listed on The Stock Exchange of Hong Kong Limited). Mr. Ho is also an Independent Director and the Chairman of the Board of Directors of Parkway Trust Management Limited, which is acting as Manager of Parkway Life Real Estate Investment Trust which its units are trading on Singapore Exchange Securities Trading Limited (“SGX-ST”). Mr. Ho holds a Bachelor of Business Administration and Commerce. He is also a director of KS Ocean Inc., Pad Inc., Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He is the father of Mr. HO Chung Tao, brother of Mr. HO Kian Hock and Mr. HO Kian Cheong, and uncle of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Kain, Mr. HO Chung Hui and Mr. HO Chung Kiat Sydney.

**Mr. HO Kian Hock**, aged 72, is the Deputy Executive Chairman of the Company and director of various companies of the Group. He was appointed as a Director of the Company on 19 December 1979. Mr. Ho is also the managing director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He is also a director of KS Ocean Inc., Pad Inc., Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He is the father of Mr. HO Chung Kain and Mr. HO Chung Hui, brother of Mr. HO Kian Guan and Mr. HO Kian Cheong, and uncle of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao and Mr. HO Chung Kiat Sydney.

**Mr. TSE See Fan Paul**, aged 65, is an Executive Director of the Company, a Remuneration Committee member and a Nomination Committee member of the Board and director/vice president/secretary of various companies of the Group. He was appointed as a Director of the Company on 5 December 1979. Mr. Tse is a director of KS Ocean Inc., Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He was appointed a director of Macau Urban Renewal Limited on 30 May 2019. He is also a non-executive director of Banco Nacional Ultramarino, one of the two note-issuing banks of the Macau SAR, a member of the Chinese People’s Political Consultative Committee of Yunnan Province, China for the 10th & 11th sessions.

**Mr. CHAN Lui Ming Ivan**, aged 50, is an Executive Director of the Company and director of various companies of the Group. He was appointed as a director of the Company on 1 July 2006. He is also a director of Keck Seng (Malaysia) Berhad (listed on the BMSB). Mr. Chan holds a Bachelor of Business Administration and a Master of Science degree from the National University of Singapore. He is also a director of KS Ocean Inc., Lapford Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He is a nephew of Mr. HO Kian Guan, Mr. HO Kian Hock and Mr. HO Kian Cheong, and cousin of Mr. HO Chung Tao, Mr. HO Chung Kain, Mr. HO Chung Hui and Mr. HO Chung Kiat Sydney.

**Ms. YU Yuet Chu Evelyn**, aged 64, is an Executive Director of the Company, a Remuneration Committee member of the Board and director/secretary of various companies of the Group. She joined the Company in 1994 to oversee the Group’s investments in China and was appointed as a director of the Company on 1 July 2006. Ms. Yu holds a Bachelor of Arts degree from Carleton University, Canada.

## PROFILES OF DIRECTORS (continued)

**Mr. HO Chung Tao**, aged 45, is an Executive Director of the Company, a Nomination Committee member of the Board, and director/president/treasurer of various Companies of the Group. He was appointed as a Director of the Company on 15 October 2008. He is also an alternate director of Keck Seng (Malaysia) Berhad (listed on the BMSB) and Shangri-La Asia Limited (listed on the Hong Kong Exchange). Before joining the Group, Mr. Ho worked for a major US investment bank based in Japan, focusing on real estate acquisitions, a venture capital firm in Japan and a securities firm in Singapore. Mr. Ho holds a Bachelor of Science degree in Hotel Administration from Cornell University, USA. He is also a director of KS Ocean Inc., Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). Mr. Ho is the son of Mr. HO Kian Guan, nephew of Mr. HO Kian Hock and Mr. HO Kian Cheong, and cousin of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Kain, Mr. HO Chung Hui and Mr. HO Chung Kiat Sydney.

**Mr. HO Chung Hui**, aged 43, is an Executive Director of the Company and director of various Companies of the Group. He was appointed as a Director of the Company on 15 October 2008. He is also an alternate director of Keck Seng (Malaysia) Berhad (listed on the BMSB). Mr. Ho joined the Group in August 2003 as a director of a subsidiary for the Group's hotel related investments in China and Vietnam. Before joining the Group, Mr. Ho worked for a major US consulting firm on various practices of strategy, finance and business process reengineering and human capital in Singapore. Mr. Ho holds a Bachelor of Science in Economics from the London School of Economics. He is the son of Mr. HO Kian Hock, brother of Mr. HO Chung Kain, nephew of Mr. HO Kian Guan and Mr. HO Kian Cheong, and cousin of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao and Mr. HO Chung Kiat Sydney.

**Mr. HO Kian Cheong**, aged 70, is a Non-executive Director of the Company. He was appointed as a Director of the Company on 5 December 1979 and was re-designated as Non-executive Director on 17 April 2003. He is also a non-executive director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He is the father of Mr. HO Chung Kiat Sydney, brother of Mr. HO Kian Guan and Mr. HO Kian Hock and uncle of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao, Mr. HO Chung Kain and Mr. HO Chung Hui.

**Mr. KWOK Chi Shun Arthur**, aged 74, is an Independent Non-executive Director of the Company since 3 January 1995. He is also the chairman of the Nomination Committee, an Audit Committee member and a Remuneration Committee member of the Board. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale.

**Ms. WANG Poey Foon Angela**, aged 62, is an Independent Non-executive Director of the Company since 28 September 2004. She is also the chairman of the Remuneration Committee, an Audit Committee member and a Nomination Committee member of the Board. Ms. Wang holds an LLB (Hons) degree from the National University of Singapore, and is an Advocate and Solicitor (Singapore), Solicitor (Hong Kong and United Kingdom). She has practised with major law firms in Singapore, Australia and Hong Kong and is currently a senior partner of a firm of solicitors in Hong Kong.

**Mr. YU Hon To David**, aged 72, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company on 1 April 2013. He is also the chairman of Audit Committee, a Remuneration Committee member and a Nomination Committee member of the Board. He is an associate member of The Hong Kong Institute of Certified Public Accountants ("HKICPA") and a fellow member of Institute of Chartered Accountants in England and Wales. Mr. Yu has over 30 years' experience in the fields of auditing, corporate finance (including IPO advisory, mergers and acquisitions and financial restructuring), financial investigation and corporate management and has been appointed as independent non-executive directors of China Renewable Energy Investment Limited, China Resources Gas Group Limited, Haier Electronics Group Company Limited, Media Chinese International Limited, One Media Group Limited, Playmates Holdings Limited, New Century Asset Management Limited and MS Group Holdings Limited, all listed on The Stock Exchange of Hong Kong Limited. Mr. Yu resigned from the position of independent non-executive director of Synergis Holdings Limited with effect from 1 January 2018, which is listed on The Stock Exchange of Hong Kong Limited.



## PROFILES OF DIRECTORS (continued)

**Mr. Stephen TAN**, aged 66, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company on 6 June 2019. He is also an Audit Committee member, a Remuneration Committee member and a Nomination Committee member of the Board. Mr. Tan is currently an executive director of Asia Financial Holdings Limited, an independent non-executive director of Pioneer Global Group Limited and China Motor Bus Company, Limited (all listed on HKEX). He also sits on the boards of Bank Consortium Trust Company Limited, Hong Kong Life Insurance Limited and AFH Charitable Foundation Limited. Mr. Tan serves as a Standing Committee Member of The Chinese General Chamber of Commerce, the Vice President of Hong Kong Chiu Chow Chamber of Commerce, the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited, the Supervisor of Chiu Yang Por Yen Primary School and the Manager of Chiu Yang Primary School of Hong Kong. Mr. Tan is a voting member of Hong Kong Sinfonietta Limited & Tung Wah Group of Hospitals Advisory Board, a founding member of both Hong Kong-Thailand Business Council and Hong Kong-Korea Business Council, a trustee of Outward Bound Trust of Hong Kong, a charter member of The Rotary Club of The Peak and a founding member of Opera Hong Kong Limited. Mr. Tan is also the honorary adviser of the Hong Kong Baseball Association. Mr. Tan was educated in the U.S.A. and holds a bachelor's degree in Business Administration from Rutgers University, and a master's degree in Business Administration from St. John's University. Mr. Tan is a son of Dr. Chan Yau Hing Robin who retired as an Independent Non-executive Director of the Company with effect from 6 June 2019.

**Mr. HO Chung Kain**, aged 45, is an Alternate Director to Mr. HO Chung Hui and director of various Companies of the Group. He was appointed as a director of the Company on 15 October 2008. Mr. Ho joined the Group in 2001 as a director of a subsidiary. He is also an alternate director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He has experience in property marketing and development activities with major Japanese and Singapore real estate companies based in Singapore, and is responsible for property development, property management, construction and hotel related activities in Malaysia and Singapore. Mr. Ho holds a Bachelor of Business Administration degree from Murdoch University in Perth, Australia. He is the son of Mr. HO Kian Hock, brother of Mr. HO Chung Hui, nephew of Mr. HO Kian Guan and Mr. HO Kian Cheong, and cousin of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao and Mr. HO Chung Kiat Sydney.

**Mr. HO Chung Kiat Sydney**, aged 36, was appointed as Alternate Director to Mr. HO Kian Cheong with effect from 1 December 2018. He is presently an executive director of Hub Synergy (S) Pte Ltd, Leefon Corporation Pte Ltd and i.Contemporary Living Pte Ltd. Mr. Ho is responsible for the marketing and operations of a commercial building, supervision of the re-development of a 26-storey commercial building as well as its day-to-day operations, and marketing and leasing of warehouse lots in an industrial building. Previously, Mr. Ho was also involved in the development of a 49-unit, 30-storey residential project. Mr. Ho is also an Alternate Director to Mr. HO Kian Cheong in Keck Seng (Malaysia) Berhad (listed on BMSB). Mr. Ho holds a Master degree in Electrical and Electronic Engineering from the Imperial College of Science, Technology and Medicine, London. He is the son of Mr. HO Kian Cheong, nephew of Mr. HO Kian Guan and Mr. HO Kian Hock, and cousin of Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao, Mr. HO Chung Hui and Mr. HO Chung Kain.

Businesses of the Group are under the direct responsibilities of the executive directors who are regarded as members of the Group's senior management.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of the Company has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The Company has applied with the principles set out in the CG Code for the year ended 31 December 2019, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2019, the Company has complied with most of the code provisions as set out in the CG Code, save and except for deviations as explained below:-

1. Code Provision A.2.1, as the role of Chairman and Chief Executive Officer of the Company is not segregated;
2. Code Provision A.4.1, as the Non-executive Directors are not appointed for a specific term;
3. Code Provision D.1.2, as the Company did not formalise functions reserved to the Board and those delegated to management and did not conduct review periodically;
4. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the Board and management; and
5. Code Provision D.1.4, as the Company did not have formal letters of appointment for Directors setting out the key terms and conditions of their appointment until December 2019.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

## BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

### *Executive Directors:*

HO Kim Swee @ HO Kian Guan — *Executive Chairman*  
 HO Cheng Chong @ HO Kian Hock — *Deputy Executive Chairman*  
 TSE See Fan Paul  
 CHAN Lui Ming Ivan  
 YU Yuet Chu Evelyn  
 HO Chung Tao  
 HO Chung Hui  
 HO Chung Kain @ HE Chongjing (*Alternate to HO Chung Hui*)

# CORPORATE GOVERNANCE REPORT *(continued)*

## *Non-executive Director:*

HO Eng Chong @ HO Kian Cheong

HO Chung Kiat Sydney @ HE Chongjie Sydney (*Alternate to HO Kian Cheong*)

## *Independent Non-executive Directors:*

CHAN Yau Hing Robin (*retired with effect from 6 June 2019*)

KWOK Chi Shun Arthur

WANG Poey Foon Angela

YU Hon To David

Stephen TAN (*appointment with effect from 6 June 2019*)

The Board currently comprises 12 members, consisting of 7 Executive Directors (having 1 Alternate Director), 1 Non-executive Director (having 1 Alternate Director) and 4 Independent Non-executive Directors. The biographical information of the Directors are set out in the section headed "Profiles of Directors" on pages 22 to 24 of the Annual Report for the year ended 31 December 2019.

There is no relationship between members of the Board other than that Mr. HO Kian Guan is the father of Mr. HO Chung Tao, Mr. HO Kian Hock is the father of Messrs HO Chung Kain and HO Chung Hui, Mr. HO Kian Cheong is the father of Mr. HO Chung Kiat Sydney while Messrs HO Kian Guan, HO Kian Hock and HO Kian Cheong are brothers who are also uncles of Mr. CHAN Lui Ming Ivan.

## **Executive Chairman and Chief Executive Officer**

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

The Company had not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the Executive Directors. In respect of the management of the Board, the role was undertaken by Mr. HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

## **Non-executive Directors**

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term. Although the Non-executive Directors of the Company were not appointed for a specific term, all Directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a Director will not exceed three years.

## **Independent Non-executive Directors**

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Independent Non-executive Directors also serve the important functions of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director to be independent in character and judgment and that they all meet the specific independence criteria as required under the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-executive Directors are explicitly identified in all corporate communications.

# CORPORATE GOVERNANCE REPORT (continued)

## Responsibilities, Accountabilities and Contributions of the Board and Management

The principal function of the Board is on setting the overall strategic direction and investment focus of the Group. The Board also monitors the financial performance and the internal controls of the Group's business activities. Day-to-day management of the Group's business is delegated to the management and the responsibilities and powers so delegated are periodically reviewed to ensure that they remain appropriate.

With wide respective professional experience in financial, architectural, legal and accounting fields, the Independent Non-executive Directors bring and contribute to the Board a balance of skills, independent judgment and insight into the setting of strategic direction, investment focus, performance evaluation, risk management of the Group through attendance at meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general discussions with the Executive Directors.

All Directors are updated on governance and regulatory matters. All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. Directors can obtain independent advice at the expense of the Company for the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its Directors.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board meets to review the overall strategic direction of the Group, to monitor the operations and to deal with any corporate and policy matters in respect of which its attention is required. The Executive Directors are responsible for drawing up and approving the agenda for each Board meeting. Notices of at least 14 days have been given to all Directors for all Board meetings. Directors can include matters for discussion in the agenda if necessary. Agenda and board papers in respect of Board meetings are sent out in full to all Directors at least 3 business days prior to the meetings. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of the Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information in a timely manner, enabling the Board to make informed decisions on matters under discussion.

Pursuant to Code Provisions D.1.2 and D.1.3, the Company should formalise functions reserved to the Board and those delegated to management and should conduct review periodically. The Company should disclose the respective responsibilities, accountabilities and contributions of the Board and management. Arrangement are being taken for the adoption of written terms on division of functions and delegation of authority between the Board and the management. The Company is now considering to disclose their formal functions, accountabilities and contributions in the future years.

Pursuant to Code Provisions D.1.4, the Company should also have formal letters of appointment for directors setting out the key terms and conditions of their appointment and the Company has already signed formal letters of appointment setting out the key terms and conditions of their appointment with each of the Directors in December 2019.

# CORPORATE GOVERNANCE REPORT *(continued)*

## Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Since 2004, new Directors have been given, on appointment, an orientation package, including information on the Group's company structure, details of major investments, the Company's Articles of Association, and other relevant information to familiarise the new Directors with the corporate affairs and operations of the Group. They will receive, from time to time, formal, comprehensive and tailored induction to ensure full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2019, the training records of the Directors of the Company are as follows:-

Directors	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc
<i>Executive Directors</i>		
HO Kian Guan	✓	✓
HO Kian Hock	✓	✓
TSE See Fan Paul	✓	✓
CHAN Lui Ming Ivan	✓	✓
YU Yuet Chu Evelyn	-	✓
HO Chung Tao	✓	✓
HO Chung Hui	✓	✓
HO Chung Kain ( <i>Alternate to HO Chung Hui</i> )	✓	✓
<i>Non-executive Director</i>		
HO Kian Cheong	✓	✓
HO Chung Kiat Sydney ( <i>Alternate to HO Kian Cheong</i> )	-	✓
<i>Independent Non-executive Directors</i>		
KWOK Chi Shun Arthur	-	✓
WANG Poey Foon Angela	✓	✓
YU Hon To David	✓	✓
Stephen TAN ( <i>appointment with effect from 6 June 2019</i> )	✓	✓

Under Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and have regular updates on the changes of Listing Rules and industry sectors as continuous professional development. In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

# CORPORATE GOVERNANCE REPORT (continued)

## BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out below.

### Audit Committee

The Audit Committee of the Company was established in 1999. Its current members are:

CHAN Yau Hing Robin (*Chairman of the Committee*) (*retired with effect from 6 June 2019*)

YU Hon To David (*Chairman of the Committee*) (*appointment with effect from 6 June 2019*)

KWOK Chi Shun Arthur

WANG Poey Foon Angela

Stephen TAN (*appointment with effect from 6 June 2019*)

All the members are Independent Non-executive Directors. The Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering legal, business, accounting and financial management disciplines on the Committee. The composition and the membership of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference covering the authority and duties of the Audit Committee conform to the provisions of the CG Code.

The Audit Committee deliberates and meets to review the reporting of financial and other relevant information to shareholders, the scheme of internal controls and risk management, the effectiveness of the internal audit function and the effectiveness and objectivity of the audit process. The Audit Committee also provides one of the important links between the Company and the Company's external auditors in matters within the Committee's terms of reference, and keep in view the independence and objectivity of the external auditors.

The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group, discussed financial reporting matters including a review of the financial statements for the year ended 31 December 2019 and review the effectiveness of the internal audit function.

During the year, two Audit Committee meetings were held. The Audit Committee met the Company's external auditors twice during 2019. The Audit Committee has also met twice with the representative of the internal audit team of the Company, which conducted independent reviews of the Group's internal control framework and systems.

# CORPORATE GOVERNANCE REPORT *(continued)*

## Remuneration Committee

The Remuneration Committee was established in 2005. Its current members are:

WANG Poey Foon Angela (*Chairman of the Committee*)  
CHAN Yau Hing Robin (*retired with effect from 6 June 2019*)  
KWOK Chi Shun Arthur  
YU Hon To David  
Stephen TAN (*appointment with effect from 6 June 2019*)  
TSE See Fan Paul  
YU Yuet Chu Evelyn

Membership of the Remuneration Committee is appointed by the Board. The majority of the members are Independent Non-executive Directors. The principal duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration packages of the Executive Directors, Non-executive Directors and senior management. The Remuneration Committee review and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management. The Remuneration Committee ensures that no Director or any of his/her associate is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee conform to the provisions of the CG Code.

In 2019, the Remuneration Committee held two meetings, during which the committee reviewed and discussed matters related to the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

Details of the remuneration of each Director and senior management for the year ended 31 December 2019 are set out in note 7 to the Financial Statements contained in this Annual Report.

## Nomination Committee

The Nomination Committee was established in 2012. Its current members are:

KWOK Chi Shun Arthur (*Chairman of the Committee*)  
CHAN Yau Hing Robin (*retired with effect from 6 June 2019*)  
WANG Poey Foon Angela  
YU Hon To David  
Stephen TAN (*appointment with effect from 6 June 2019*)  
TSE See Fan Paul  
HO Chung Tao

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors. The terms of reference of the Nomination Committee conform to the provisions of the CG Code.

## CORPORATE GOVERNANCE REPORT (continued)

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In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Company has already adopted a Board diversity policy and the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

### *Nomination Policy*

The Company has established a Nomination Policy which includes the following principles:

1. The Nomination Committee of the Board of Directors shall be responsible for identifying, receiving, reviewing and proposing individuals to be put forward to the Board of Directors for consideration in relation to the appointment of additional Directors to the Company.
2. The Nomination Committee shall establish the procedure for identifying, receiving and reviewing the qualification of candidates mentioned in (1) above.
3. The Nomination Committee shall consider, inter alia, the technical competencies, core skill levels, professional and other experiences, level of integrity, and other relevant factors in light of the strategic and operational issues faced by the Company in its review of candidates.
4. The Nomination Committee shall, inter alia, consider the diversity of backgrounds, perspectives, genders and qualifications of candidates in order to ensure optimal corporate governance.
5. The Nomination Committee shall from time to time review the structure and size of the Board of Directors and make recommendations for changes as and when appropriate or necessary.
6. The Nomination Committee shall make recommendations to the Board of Directors to ensure that the Company complies with relevant clauses in the Listing Rules with respect to Independent Non-executive Directors.



# CORPORATE GOVERNANCE REPORT *(continued)*

## *Board Diversity*

The Company is of the view that a Board comprising of directors with an optimal combination of competencies, experiences and perspectives adds depth and comprehension in the formulation of corporate strategies; review and approval of investment decisions; review and analysis of financial and operating results; nomination of Directors particularly Independent Non-executive Directors; review of internal control, risk management and compliance works; formulation of dividend policies; and other matters and issues which are of relevance to decision-making by the Directors.

The Company evaluates Board diversity in the following domains, in particular diversity with respect to:

- Technical and professional competency of Directors
- Coverage of differing geographical area of operations of the Group
- Gender of Directors
- Age profile
- Years of business experience of Directors
- Educational background of Directors

The Company also intends to over time develop a matrix to measure and review the skill set, professional qualification, experience, educational background, management experience of its senior management in order to prepare them for advancement in the corporate hierarchy.

## **Corporate Governance Functions**

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the CG Code and disclosure in this Corporate Governance Report.

# CORPORATE GOVERNANCE REPORT (continued)

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
<i>Executive Directors</i>					
HO Kian Guan	4/4	-	-	-	1/1
HO Kian Hock	4/4	-	-	-	1/1
TSE See Fan Paul	4/4	2/2	2/2	2/2*	1/1
CHAN Lui Ming Ivan	4/4	-	-	-	1/1
YU Yuet Chu Evelyn	4/4	2/2*	2/2	2/2*	1/1
HO Chung Tao	4/4	2/2	2/2*	2/2*	1/1
HO Chung Hui	3/4 <sup>#</sup>	-	-	-	0/1
HO Chung Kain ( <i>Alternate to HO Chung Hui</i> )	1/1	-	-	-	1/1
<i>Non-executive Director</i>					
HO Kian Cheong	2/4 <sup>#</sup>	-	-	-	1/1
HO Chung Kiat Sydney ( <i>Alternate to HO Kian Cheong</i> )	3/3	-	-	-	1/1
<i>Independent Non-executive Directors</i>					
CHAN Yau Hing Robin ( <i>retired with effect from 6 June 2019</i> )	1/2	1/1	1/1	1/1	0/1
KWOK Chi Shun Arthur	4/4	2/2	2/2	2/2	1/1
WANG Poey Foon Angela	4/4	2/2	2/2	2/2	1/1
YU Hon To David	4/4	2/2	2/2	2/2	1/1
Stephen TAN ( <i>appointment with effect from 6 June 2019</i> )	2/2	1/1	1/1	1/1	-

\* Director is not the member of the Committee, only acts as the attendee of the Committee Meeting.

<sup>#</sup> Not include meetings attended by Alternate.

Apart from regular Board meetings, the Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year.

# CORPORATE GOVERNANCE REPORT (continued)

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for managing the risk management and internal control systems of the Group as well as reviewing their effectiveness. It is recognised that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

We have adopted a structured approach to risk management and internal control that incorporated the following:

1. Identification and assessment of the most significant risks faced by the Group in achieving its strategic and operational objectives.
2. Measurement, mitigation, control and assurance activities for the identified risks.
3. Inclusion of risk management and internal control as a regular boardroom agenda.
4. Senior management accountability.
5. Ongoing monitoring and reporting of the above activities to the board/Audit Committee for formal evaluation.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

An internal audit team for the Group has been established in late 2016 to conduct independent reviews on the Group's financial & operational controls, compliance to various relevant laws and regulations and risk management.

Since its establishment, the internal audit team had developed a scope of works that cover internal control and risk management of the Group's operations. The team had entered into dialogue with the Audit Committee on the scope of internal audit and risk management to ensure all processes are more transparent.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions including hotel operations, sales and leasing of properties, financial reporting, human resources and information technology.

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 following are seven top principal risks and uncertainties identified by the Group and individual major subsidiaries. There may be other risks and uncertainties which are not identified for the time being or turn out to be material in the future.

# CORPORATE GOVERNANCE REPORT (continued)

## I. Risks identified by the Group:

### 1. Market Risk

- The Group's core businesses are hotel businesses and properties. The Group monitors its competitors closely and obtains accurate information on the market.
- The luxury hotel industry that we are in are highly competitive. A lot of our hotels' competitors offer attractive room rates and facilities for guests. In addition, there are new hotels added to the market on a continuous basis which provide increasing competitions.
- Impacted by the cautious investment sentiment caused by the global economic uncertainty, all property sectors in Macau experienced a significant fall in transaction volume. However, our properties may face a challenge of increasing new housing supplies in Taipa. As such, it may be difficult for us to increase the rental value.

### 2. Corporate and Management Risk

- There is a risk that our hotels will lose experienced managers & associates if they are approached and offered better salary & benefits by our competitor hotels. In addition, more hotels will be opened in the next few years, employees of our hotels may be approached.
- Low unemployment rate at 1.7% to 1.8% of 2019 in Macau and the flourishing gaming and tourism industries make it challenging for hiring local employees as there are many gaming and tourism employers looking for the same group of candidates.

### 3. Property Risk

- The Group invests in hotels worldwide. These hotels require regular renovation and maintenance in order to maintain their quality and retain their guest. Equipment breakdown and natural disasters may have adverse impacts on our hotels' operations.
- Macau is a city that is always affected by typhoons. Our residential properties in Macau may be subjected to damages due to typhoons. Both Mangkut and Hato, two super typhoons, had caused some damages on our residential properties during last two years.

### 4. Economic Risk

- Rising global consumer purchasing power, and digital innovation have all fueled record growth in the travel and hospitality industry. However, recent changes in government administration for several major countries (such as PRC and United States) had provided uncertainties for future growth in the lodging and tourism sectors.
- Macau's property values are always in co-relation to gaming revenue, the property prices and rental rates might be affected by economic conditions not only in Macau, but also in PRC. The gaming revenue is greatly affected by the economy and Government policy of PRC. Therefore, anticipated slowdown of GDP growth rate of PRC will probably cause a negative impact on the gaming revenue.

# CORPORATE GOVERNANCE REPORT *(continued)*

## 5. *Operation Risk*

- Hotels are susceptible to all forms of general workplace risks including but not limited to natural disasters, plagues, security of guests, fire outbreak and etc. which may impose negative impacts on the tourism industry and travelers' willingness to travel.
- There are several uncertainties on future administrative policies on the tourism industry, especially for the Canada, PRC and United States.

## 6. *IT Risk*

- Cybersecurity has been a big concern for the hospitality business which is more focused on preventing data and identify theft. Software and hardware may not meet business requirements.
- Implementation of new computer system in Macau office may increase the risk of system error.

## 7. *Political Risk*

- Uncertainty on administrative policies of the local Government authority as it relates to international travel, visa issuance and visitors. The result of election in the countries may have changes on the administrative policies.
- Hong Kong has been rocked by social instability since second quarter of 2019, there was a risk of road blocking and public transportation disruption caused by protests and the normal working hours of our Hong Kong staff was affected to a certain extent. As being a listed company in Hong Kong, we had a concern about the economic and political stability of Hong Kong which will deter investors to invest in Hong Kong. In the long run, the city's reputation as a global business and financial hub would be affected adversely by social unrest events.

Along with China authorities reported that the first novel coronavirus (COVID-19) case on 31 December 2019, the outbreak is being a critical risk for business around the world and our business units as well in 2020. Companies in hospitality industry is especially vulnerable because individual, group or business visitors will probably cancel or postpone their travel plans due to novel coronavirus threats.

One of our business units, HIRW, is in Wuhan and suffering from the biggest impact as the city has been locked down since 23 January 2020. The hotel has remained open to stranded guests, public health officials and emergency workers. Remaining staff on-site provided services to officials and guests which might increase the risk of the staff being infected. Many of international congresses and conferences were cancelled and visitors all over the world reduced their desire to travel due to coronavirus concerns and economy crash, all our hotels in different countries could not escape from this outbreak.

Apart from hospitality business units, COVID-19 also impact the economy of Macau which will weaken our property sales and leasing activities in Macau. Buyers and tenants now have more bargaining power on prices. Tightened border controls to contain the pandemic might temporarily increase the price in certain rental market in a short term due to Macau government imposes a 14-days quarantine for foreign employees who have been in mainland China within two weeks before they enter into Macau, but increase the risk of losing long-term tenants as substantial drop in revenue of gambling industry might in turn cause economy downturn and layoff the expats in coming stage.

The occurrence of the outbreak has certainly added additional risks that the carrying amounts of assets and liabilities may require certain adjustments within the next financial year.

# CORPORATE GOVERNANCE REPORT (continued)

Managements are spending considerable time figuring out our business's risk exposures and devising strategies to manage them. Our business units in the countries with more confirmed cases are following strict health and sanitation guidelines including checking guests' and staffs' body temperatures and wearing face masks while working in office. Flexible work arrangements for staff work from home have been implemented in Hong Kong and Macau offices for two weeks or even longer periods in order to decrease the risk of potential threat of spread of COVID-19 and support the calls from the local governments.

## II. Risks identified by individual subsidiary in a company level:

Subsidiary	Market Risk*	Corporate and Management Risk	Property Risk	Economic Risk	Operation Risk	IT Risk
Macau	<ol style="list-style-type: none"> <li>1) New supply of residential properties in the market.</li> <li>2) Difficulty of increasing rental value due to competitive market.</li> </ol>	<ol style="list-style-type: none"> <li>1) Difficulty of labor recruitment due to low unemployment rate.</li> <li>2) High turnover and average age of frontline staff is getting older.</li> </ol>	<p>Properties are vulnerable to flooding and damage in case of heavy rains and typhoon period.</p>	<p>Macau's property values are always in co-relation to gaming revenue, the property prices and rental rates might be affected by economic conditions not only in Macau, but also in China.</p>	<p>Insignificant</p>	<ol style="list-style-type: none"> <li>1) System error may occur.</li> <li>2) Implementation of new COA and PMS data.</li> </ol>
SSHT	<ol style="list-style-type: none"> <li>1) The metro construction has resulted road blocks and noisy night work near the hotel.</li> <li>2) Renovation at competitor hotels which lower the hotel's competitiveness in the market.</li> </ol>	<ol style="list-style-type: none"> <li>1) Staff of the hotel may be approached for employment opportunity from competitor hotels.</li> <li>2) The government issued new policy to reduce unemployment rate to be below 4% which resulted in less suitable candidates.</li> </ol>	<ol style="list-style-type: none"> <li>1) Some machines and equipment were acquired since the hotel is built which may require constant maintenance.</li> <li>2) Possible destruction of property in case of fire or explosion.</li> </ol>	<p>GDP growth rate is expected to be stable as about 7% for 2019.</p>	<p>Insignificant</p>	<p>Insignificant</p>
HIRW	<ol style="list-style-type: none"> <li>1) Competition from existing and new hotels.</li> <li>2) Due to the brand policy, the hotel has less flexibility on offering room rate to Online Travel Agent than other competitors.</li> </ol>	<ol style="list-style-type: none"> <li>1) Succession Plan and Retention Strategy – High Potential employees were identified by IHG for potential transferring out.</li> <li>2) As long as there is new hotel opening, staff of HIRW will become approaching target.</li> </ol>	<ol style="list-style-type: none"> <li>1) Some machines and equipment reach their useful life.</li> <li>2) The most common comments from guests is HIRW feels too old.</li> <li>3) The function rooms and ball rooms have too many pillars.</li> </ol>	<ol style="list-style-type: none"> <li>1) Wuhan GDP in 2019 is lower than the prediction.</li> <li>2) China economy is getting slower.</li> </ol>	<p>Insignificant</p>	<p>Insignificant</p>

# CORPORATE GOVERNANCE REPORT (continued)

Subsidiary	Market Risk*	Corporate and Management Risk	Property Risk	Economic Risk	Operation Risk	IT Risk
BWO	New hotels will be established near the hotel and expected that additional eleven thousand rooms will be supplied in Osaka city in 2020.	<ol style="list-style-type: none"> <li>Staff turnover.</li> <li>Lack of communications with stakeholders and employees.</li> <li>No updated corporate policy and unclear job responsibility for staff.</li> </ol>	Insignificant	<ol style="list-style-type: none"> <li>Slow GDP growth.</li> <li>Japanese Yen may be weaker due to USD appreciation.</li> </ol>	<ol style="list-style-type: none"> <li>Unauthorized entries into hotel premises.</li> <li>Risk of Plague.</li> </ol>	<ol style="list-style-type: none"> <li>Software and hardware may not meet business requirements.</li> <li>Key system breakdown.</li> <li>Virus attack.</li> </ol>
SOH	New hotels have been opened in early 2019 and they have better locations and more competitive rates than the hotel.	There were a few hotels that opened between 2017 to 2019 and there will be more opening in the up-coming couple of years, leaders of SOH may be poached for employment opportunity, particularly with brand reputation and more benefits.	<ol style="list-style-type: none"> <li>Some machines and equipment exceeded their useful life.</li> <li>The Fitness Centre, lobby area, property exterior and interior, stylish and design need improvement.</li> </ol>	<ol style="list-style-type: none"> <li>Slow GDP growth.</li> <li>Canadian dollar has weakened in the 4th quarter of 2018 against US dollar.</li> </ol>	SOH is susceptible to all forms of general workplace risks.	Insignificant
SNY	New supply of hotels and private lodgings from continuous supply for Airbnb rooms*.	Insignificant	Some machines and equipment have been in used since hotel opening.	<ol style="list-style-type: none"> <li>Continued appreciation of USD reduces the attractiveness of USA as a tourist destination area to international tourists.</li> <li>Appreciation of USD also increases travel from US to international countries instead of traveling domestically.</li> <li>Trade Wars with China as well as potential downturn in the economy in the near future.</li> </ol>	Election in November 2020. Currently impeachment ongoing for Donald Trump. If it happens, there will be huge effect on stock exchange. There may be travel bans, and other domino effect to the hotel.	Insignificant

# CORPORATE GOVERNANCE REPORT (continued)

Subsidiary	Market Risk*	Corporate and Management Risk	Property Risk	Economic Risk	Operation Risk	IT Risk
WSF	1) New supply of hotels and private lodgings*. 2) Increase in homeless population has become an increasing problem for the city and continues to deter large groups and conventions from hosting their events in the city.	1) Difficulty of labor recruitment due to low unemployment rate. 2) Staff of the hotel may be approached for employment opportunity from competitor hotels.	Guest experienced problems of noise, staff and check-in.	Appreciation of USD might reduce the attractiveness of USA as a tourist destination to international tourists.	WSF is susceptible to all forms of general workplace risks including staff and guests security, fire safety, diseases, natural disasters, worker strikes and etc.	Insignificant

\* There is competition from private lodging (e.g. Airbnb) in the local market. However, such risk is considered as non-significant in the Group level.

All divisions or departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted semi-annual basis to confirm that control policies are properly complied with by each division or department.

Division or Department heads of our business units assessed the likelihood of risk occurrence and possible consequence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. Our management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal Audit work covered key issues in relation to the accounting practices and all material controls. Internal Audit findings and recommendations for improvement are shared to the respective local management team and reported to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are adequate and effective. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.



# CORPORATE GOVERNANCE REPORT (continued)

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

On the basis of the review, the Board and the Audit Committee are satisfied as to the effectiveness of the Group's internal control, and concluded that:

1. the Company during the year has complied with the Code of Governance on internal control;
2. the Group has a framework of prudent and effective controls to identify, evaluate and manage the risks;
3. the Group has internal control and accounting systems which are reasonably efficient and adequate;
4. the Group has ongoing monitoring processes which identified, evaluated and managed significant risks that may influence its major business operations; and
5. material transactions are executed with management's authorization.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards, made judgments and estimates which are fair and reasonable, and have prepared the financial statements on the going concern basis.

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 statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 44 to 49.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

## AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2019 are set out below.

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration		
– Audit services	3,882	3,209
– Interim review	849	825
– Tax advisory and other services	562	1,224
	<b>5,293</b>	<b>5,258</b>

# CORPORATE GOVERNANCE REPORT (continued)

## DIVIDEND POLICY

The Company has approved and adopted a dividend policy to provide shareholders of the Company (the “Shareholders”) with regular dividends (the “Dividend Policy”). Under the Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions.

In formulating this policy, the Company has taken into consideration the varying objectives of:

- Providing part of the return to Shareholders in the form of dividend income from the Company;
- Maintaining sufficient free cashflow to finance ongoing company operations;
- Maintaining sufficient cash resources to finance company acquisitions which may come up from time to time;
- Maintaining sufficient cash resources to finance unforeseen cash requirements.

It has also taken into consideration the possibility of:

- Possible fluctuation in earnings from one financial period to another;
- Unforeseen global financial instability giving rise to systemic risk on a global basis;
- Unforeseen economic, social and political instability in the Company’s various geographical locations;
- Possible cost-escalations resulting from inflation, structural cost adjustments, legal changes, and other unforeseen incidents;
- Possible reduction in revenue due to changing market conditions, consumption and spending patterns, legal changes, and other unforeseen factors.

Under the Dividend Policy, the Company intends to provide Shareholders with semi-annual dividends. Further, the intention is that such dividends should be in line with general movements in the Company’s consolidated net income attributable to the Shareholders and general cashflow availability, subject to the Company’s capacity to pay from accumulated and future earnings, anticipated liquidity position and future commitments at the time of declaration of dividend. The Dividend Policy will allow the Company to pay scrip dividends. The Dividend Policy will also allow the Company to declare special dividends from time to time in addition to the semi-annual dividends.

It is the view of the Board that Shareholders participate in the Company’s profits, while recognising that it is important for the Company to maintain adequate cash reserves for covering current operations and funding future growth. The Company’s capacity to declare dividends will depend upon, inter alia, the Company’s current and future operations, liquidity position and capital requirements. It will also depend on dividends received and receivable from the Company’s subsidiaries and associates. The payment of dividend is also subject to any restrictions under the Hong Kong law and the Company’s Articles of Association.

## CORPORATE GOVERNANCE REPORT (continued)

Pursuant to Article 144 of the Company's Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. It should be noted that the Dividend Policy reflects the Board's current views on the projected operations and financial resources of the Company and its subsidiaries. It should also be noted that the Dividend Policy shall be reviewed from time to time by the Directors and management. Hence, there is no assurance or commitment that dividends will be paid in any particular amount for any given financial period. Even if the Board decides to recommend and pay dividends, the form, and amount will depend upon the operations and earnings, capital requirement and surplus, general financial condition, contractual obligations, prevailing economic condition, and other relevant factors.

Pursuant to Article 156 of the Company's Articles of Association, any dividend unclaimed after a period of six years from the date of payment of such dividend shall be forfeited and shall revert to the Company.

### SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

#### Convening A General Meeting/Right To Call A General Meeting

General meetings may be convened by the Board on requisition of Shareholders of the Company representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings or by such Shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

#### Putting Forward Proposals At General Meeting/Right To Circulate Resolution At Annual General Meeting

Pursuant to Section 615 of the Companies Ordinance, Shareholders representing at least 2.5% of the total voting rights of all Shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

#### Putting Forward Enquiries To The Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company at the Company's address in Hong Kong or by email.

Note: The Company will not normally deal with verbal or anonymous enquiries.

# CORPORATE GOVERNANCE REPORT (continued)

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## Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 2902, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

Email: [enquiry@keckseng.com.hk](mailto:enquiry@keckseng.com.hk)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Non-executive Directors, Independent Non-executive Directors, and the Chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Shareholders' Communication Policy was adopted at the Board Meeting held on 9 December 2016 in compliance with Code Provision E.1.4 of the CG Code.

During the year under review, the Company has not made any changes to Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year 2019 and up to and including the date of this Annual Report as required by the Listing Rules.

# INDEPENDENT AUDITOR'S REPORT

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## TO THE MEMBERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

*(Incorporated in Hong Kong with limited liability)*

### OPINION

We have audited the consolidated financial statements of Keck Seng Investments (Hong Kong) Limited and its subsidiaries (together “the Group”) set out on pages 50 to 121, 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 (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

# INDEPENDENT AUDITOR'S REPORT (continued)

## KEY AUDIT MATTERS (continued)

### Valuation of investment properties

Refer to note 11 to the consolidated financial statements and the accounting policy at note 1(g).

#### The Key Audit Matter

The Group holds a portfolio of investment properties (primarily office and commercial premises) located in Macau which are stated at their fair values which totalled HK\$874 million and accounted for 13% of the Group's total assets as at 31 December 2019.

The fair values of the investment properties as at 31 December 2019 were assessed by the board of directors based on independent valuations prepared by an independent firm of professional surveyors with appropriate qualifications and experience in the location and category of property being valued, using the income capitalisation approach which takes into account the rental income of each property and the appropriate market capitalisation rate. The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 86% of the Group's profit before taxation for the year ended 31 December 2019.

We identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and because the valuation of investment properties can be inherently subjective and requires the exercise of significant judgement and estimation, in particular in determining the appropriate valuation methodology, capitalisation rates and market rents, which increases the risk of error or potential management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- obtaining and inspecting the valuation reports prepared by the independent professional surveyors engaged by the Group and on which the directors' assessment of the valuation of investment properties was based;
- assessing the qualifications of the independent professional surveyors and their experience in the properties being valued and considering their objectivity and independence of management;
- discussing with the independent professional surveyors their valuation methodology in a separate private session and challenging the key estimates and assumptions adopted in the valuations, including capitalisation rates and market rents, by comparing the 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 considering whether there was any indication of management bias in the selection of the assumptions; and
- comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the independent professional surveyors with underlying contracts and related documentation, on a sample basis.

# INDEPENDENT AUDITOR'S REPORT (continued)

## KEY AUDIT MATTERS (continued)

### Recoverability of the carrying value of hotel properties owned by the Group

Refer to note 11 to the consolidated financial statements and the accounting policy at notes 1(h)(i) and 1(j)(ii).

#### The Key Audit Matter

The Group holds a number of hotel properties located in major cities in Asia Pacific and North America. These hotel properties were stated at cost less accumulated depreciation and impairment with carrying amounts totalling HK\$1,961 million and accounted for 29% of the Group's total assets as at 31 December 2019.

At the year end management assesses if there are any indicators of potential impairment of hotel properties. Where indicators of potential impairment are identified, management assesses the recoverability of the carrying value of hotel properties based on the present value of estimated future cash flows arising from the continued use of the related assets. The assessment of the recoverable amounts of hotel properties is inherently subjective as it involves significant management judgement and estimation, particularly given the diverse locations of the hotel properties and the particular economic and political circumstances at each location which can affect, inter alia, occupancy rates, revenue per available room and future growth rates.

As a result of the impairment assessment carried out by management, the Group recognised an impairment loss of HK\$274 million during the year ended 31 December 2019 on one of its hotel properties, namely the Sofitel New York.

We identified assessing the recoverability of the carrying value of hotel properties owned by the Group as a key audit matter because of its significance to the consolidated financial statements and because the determination of whether there is objective evidence of impairment involves significant management judgement and could be subject to potential management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess the recoverability of the carrying value of hotel properties owned by the Group included the following:

- discussing triggering events and/or indicators of potential impairment of hotel properties with management and inspecting the operating results and cash flow forecasts of the respective hotels;

where such triggering events or indicators of potential impairment were determined to exist, performing the following procedures in respect of each individual hotel property:

- discussing with Group management and assessing the valuation methodologies adopted in the preparation of the impairment assessment with reference to the requirements of the prevailing accounting standards;
  - challenging the key estimates and assumptions adopted in the impairment assessment, including occupancy rates, revenue per available room and future growth rates, by comparing these with market available data and the current year's operating results;
  - assessing the discount rate applied in the impairment assessment by comparison with those of similar companies in the same industry and external market data.
- performing sensitivity analyses by making adjustments to the key estimates and assumptions adopted in the impairment assessments to assess risk of possible management bias in the selection of these assumptions; and
  - performing a retrospective review by comparing the forecast operating results made in the prior year's impairment assessments with the current year's operating results to assess the historical accuracy of management's forecasting process.

## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT *(continued)*

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, 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.
- 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.

## **INDEPENDENT AUDITOR'S REPORT** (continued)

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### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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 Yue Tat Wai.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

25 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	3	<b>1,943,399</b>	2,022,401
Cost of sales		(201,444)	(218,699)
		<b>1,741,955</b>	1,803,702
Other revenue	4(a)	81,438	58,658
Other net gains/(losses)	4(b)	11,367	(16,725)
Direct costs and operating expenses		(837,617)	(820,867)
Marketing and selling expenses		(61,711)	(60,805)
Depreciation	11(a)	(166,809)	(145,844)
Administrative and other operating expenses		(434,354)	(466,128)
<b>Operating profit</b>		<b>334,269</b>	351,991
Net increase in fair value of investment properties	11(a)	39,000	32,200
Impairment loss on a hotel property	11(b)	(274,115)	—
		<b>99,154</b>	384,191
Finance costs	5(a)	(59,749)	(55,093)
Share of profits less losses of associates		5,682	6,833
<b>Profit before taxation</b>	5	<b>45,087</b>	335,931
Income tax	6(a)	79,238	(19,428)
<b>Profit for the year</b>		<b>124,325</b>	316,503
<b>Attributable to:</b>			
Equity shareholders of the Company		5,516	196,579
Non-controlling interests		118,809	119,924
<b>Profit for the year</b>		<b>124,325</b>	316,503
<b>Earnings per share, basic and diluted (cents)</b>	9	<b>1.6</b>	57.8

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

The notes on pages 56 to 121 form part of these financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
<b>Profit for the year</b>	<b>124,325</b>	316,503
<b>Other comprehensive income for the year</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	43	(149)
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>		
Exchange differences on translation of: – financial statements of overseas subsidiaries and associates	(1,912)	(22,069)
<b>Other comprehensive income for the year</b>	<b>(1,869)</b>	(22,218)
<b>Total comprehensive income for the year</b>	<b>122,456</b>	294,285
<b>Attributable to:</b>		
Equity shareholders of the Company	1,651	185,169
Non-controlling interests	120,805	109,116
<b>Total comprehensive income for the year</b>	<b>122,456</b>	294,285

There is no tax effect relating to the above components of other comprehensive income.

The notes on pages 56 to 121 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Investment properties		873,700	834,700
Property, plant and equipment		2,252,984	2,376,187
Land		824,274	831,326
	11	3,950,958	4,042,213
Interest in associates	13	121,060	114,587
Derivative financial assets		865	5,267
Other non-current financial assets	14	250,997	223,295
Deferred tax assets	23(b)	116,081	8,350
		4,439,961	4,393,712
<b>Current assets</b>			
Trading securities	15	11,899	8,940
Properties held for sale	16	280,473	280,040
Inventories		6,074	5,744
Trade and other receivables	17	113,271	91,825
Deposits and cash	18(a)	1,978,472	1,821,089
Taxation recoverable	23(a)	1,971	2,452
		2,392,160	2,210,090
<b>Current liabilities</b>			
Bank loans	19(a)	1,701,024	144,689
Trade and other payables	20	441,317	398,007
Loan from an associate	13	464	464
Loans from non-controlling shareholders	22	106,991	27,855
Taxation payable	23(a)	16,655	19,630
		2,266,451	590,645
<b>Net current assets</b>		<b>125,709</b>	<b>1,619,445</b>
<b>Total assets less current liabilities</b>		<b>4,565,670</b>	<b>6,013,157</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	19(a)	83,700	1,410,122
Deferred revenue	21	4,690	5,436
Loans from non-controlling shareholders	22	–	82,055
Deferred tax liabilities	23(b)	99,608	95,328
		187,998	1,592,941
<b>NET ASSETS</b>		<b>4,377,672</b>	<b>4,420,216</b>
<b>CAPITAL AND RESERVES</b>			
	24		
Share capital		498,305	498,305
Reserves		3,200,903	3,251,983
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,699,208</b>	<b>3,750,288</b>
Non-controlling interests		678,464	669,928
<b>TOTAL EQUITY</b>		<b>4,377,672</b>	<b>4,420,216</b>

Approved and authorised for issue by the board of directors on 25 March 2020.

**Ho Kian Guan**  
*Executive Chairman*

**Tse See Fan Paul**  
*Executive Director*

The notes on pages 56 to 121 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Legal reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	498,305	12,758	9,595	3,605	3,226,025	3,750,288	669,928	4,420,216
<b>Changes in equity for 2019:</b>								
Profit for the year	-	-	-	-	5,516	5,516	118,809	124,325
Other comprehensive income	-	-	(3,908)	43	-	(3,865)	1,996	(1,869)
<b>Total comprehensive income for the year</b>	-	-	(3,908)	43	5,516	1,651	120,805	122,456
Transfer from retained profits to legal reserve	-	2,938	-	-	(2,938)	-	-	-
Dividends approved in respect of the previous year (note 24(b))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends declared in respect of the current year (note 24(b))	-	-	-	-	(11,907)	(11,907)	-	(11,907)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(112,269)	(112,269)
<b>Balance at 31 December 2019</b>	498,305	15,696	5,687	3,648	3,175,872	3,699,208	678,464	4,377,672
Balance at 1 January 2018	498,305	12,758	20,856	3,754	3,174,834	3,710,507	678,571	4,389,078
<b>Changes in equity for 2018:</b>								
Profit for the year	-	-	-	-	196,579	196,579	119,924	316,503
Other comprehensive income	-	-	(11,261)	(149)	-	(11,410)	(10,808)	(22,218)
<b>Total comprehensive income for the year</b>	-	-	(11,261)	(149)	196,579	185,169	109,116	294,285
Dividends approved in respect of the previous year (note 24(b))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends declared in respect of the current year (note 24(b))	-	-	-	-	(13,608)	(13,608)	-	(13,608)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(111,783)	(111,783)
Acquisition of non-controlling interests (note 24(d)(iv))	-	-	-	-	(90,956)	(90,956)	(5,976)	(96,932)
<b>Balance at 31 December 2018</b>	498,305	12,758	9,595	3,605	3,226,025	3,750,288	669,928	4,420,216

The notes on pages 56 to 121 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Operating activities</b>			
Cash generated from operations	18(b)	455,915	490,506
Overseas tax paid (net)		(27,065)	(26,621)
<b>Net cash generated from operating activities</b>		<b>428,850</b>	<b>463,885</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(335,186)	(192,113)
Net payment for purchase of other non-current financial assets		-	(225,132)
Payment for acquisition of non-controlling interests		-	(96,932)
Proceeds from sale of property, plant and equipment		1,461	2,138
Proceeds from price adjustment for other non-current financial assets		2,053	-
Interest received		46,848	36,366
Increase in bank deposits with maturity more than three months		(805,144)	(4,613)
Dividends received from listed and unlisted securities		10,653	473
Dividends received from associates		-	19,220
<b>Net cash used in investing activities</b>		<b>(1,079,315)</b>	<b>(460,593)</b>
<b>Financing activities</b>			
Proceeds from new bank loans	18(c)	305,088	127,039
Repayment of bank loans	18(c)	(66,419)	(66,599)
Repayment of loans from non-controlling shareholders	18(c)	(7,234)	-
Interest paid	18(c)	(54,892)	(50,420)
Dividends paid		(52,731)	(54,432)
Dividends paid to non-controlling shareholders		(112,269)	(111,783)
<b>Net cash generated from/(used in) financing activities</b>		<b>11,543</b>	<b>(156,195)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(638,922)</b>	<b>(152,903)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,802,056</b>	<b>1,956,684</b>
<b>Effect of foreign exchange rate changes</b>		<b>(4,575)</b>	<b>(1,725)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>1,158,559</b>	<b>1,802,056</b>
<b>Analysis of the balances of cash and cash equivalents at 31 December</b>			
Deposits and cash	18(a)	1,978,472	1,821,089
Less: Bank deposits with maturity more than three months		(819,913)	(19,033)
		<b>1,158,559</b>	<b>1,802,056</b>

The notes on pages 56 to 121 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1 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 HKFRSs, 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 requirements of the Hong Kong Companies Ordinance. These 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- trading securities and other non-current financial assets (note 1(e));
- derivative financial instruments (note 1(f)); and
- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (note 1(g)).

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 and 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.

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 equity 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 in accordance with notes 1(m) or (n) depending on the nature of the liabilities.

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 (note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 1(j)(ii)), unless the investment is classified as held for sale.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (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 and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (note 1(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit losses model to such other long-term interest where applicable (see note 1(j)(i))).

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 investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 1(e)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (note 1(j)(ii)), unless classified as held for sale.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities 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, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 25(f). These investments are subsequently accounted for as follows, depending on their classification.

#### *Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is 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 1(s)(v)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(s)(vi).

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

### (g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) 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 determined 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 1(s)(ii).

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (note 1(i)), and the same accounting policies are applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(i).

### (h) Property, plant and equipment

#### (i) Hotel properties

Hotel properties are stated at cost less accumulated depreciation (note 1(h)(iii)) and impairment losses (note 1(j)(ii)).

#### (ii) Other property, plant and equipment

Other property, plant and equipment, including right-of-use assets arising from lease of underlying plant and equipment (see note 1(i)), except for construction-in-progress, are stated at cost less accumulated depreciation (note 1(h)(iii)) and impairment losses (note 1(j)(ii)). Construction-in-progress is stated at cost less accumulated impairment losses and not subject to depreciation.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the assets when 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. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is calculated to write off the cost of these assets, less their estimated residual value, if any, using the straight line method over the shorter of the unexpired period of the land lease and their estimated useful lives as follows:

- Buildings situated on freehold land are depreciated over their estimated useful lives of 30 to 48 years. Freehold land is not depreciated.
- The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the joint venture period, the unexpired term of the lease and the buildings' estimated useful lives of 30 to 48 years.
- Motor vehicles 7 years
- Furniture, fixtures and equipment 3 to 5 years
- No depreciation is provided on property under development

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

#### (i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (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. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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 the interest rate implicit in the lease or, if that rate cannot be readily determined, 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.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Leased assets *(Continued)*

#### (j) *As a lessee (Continued)*

##### (A) Policy applicable from 1 January 2019 *(Continued)*

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. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h)(iii) and 1(j)(ii)).

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.

##### (B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as an investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (note 1(g)); and
- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Leased assets (Continued)

#### (i) As a lessee (Continued)

##### (B) Policy applicable prior to 1 January 2019 (Continued)

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(j)(ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

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.

#### (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.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(s)(ii).

### (j) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the financial assets measured at amortised cost (including deposits and cash, trade and other receivables, and loan to associates).

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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 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, including right-of-use assets (other than investment properties carried at revalued amounts); and
- investments in subsidiaries and associates 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (j) Credit losses and impairment of assets *(Continued)*

#### (ii) *Impairment of other 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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- 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.

### (k) Inventories

#### (i) *Hotel and club operations*

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### (ii) *Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value for completed property held for sale. Cost and net realisable values for completed property held for sale are determined as follows:

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) 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 1(j)(i)).

### (m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (n) Trade and other payables

Trade and other payables (including interest-free loans from non-controlling shareholders) are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (o) 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.

### (p) Employee benefits

#### *(i) Short term employee benefits and contributions to defined contribution retirement plans*

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.

#### *(ii) Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Income tax

- (i) 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.
- (ii) 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.
- (iii) 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.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), 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 reporting date 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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Income tax (Continued)

#### (iii) (Continued)

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

#### (iv) 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.

### (r) Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Financial guarantees issued, provisions and contingent liabilities (Continued)

#### (i) Financial guarantees issued (Continued)

Subsequent to initial recognition, the amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

#### (ii) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company 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.

### (s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of properties, 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 product or 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. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Revenue and other income (Continued)

#### (i) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

#### (ii) 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. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

#### (iii) Hotel and club operations

Hotel and club revenue from room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. The slot machine income represents proceeds earned from the operation of slot machines at one of the Group's hotels and is recognised based on net receipts from the machines.

#### (iv) Management fee income

Management fee income is recognised over time when the services are rendered.

#### (v) Interest income

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

#### (vi) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### (t) 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. 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.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (t) 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.

### (u) 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.

### (v) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) 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).
  - (2) 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).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Related parties

(ii) (Continued)

- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) 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).
- (8) 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.

### (w) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

## 2 CHANGES IN ACCOUNTING POLICIES

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. Further details of the impact are summarised below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 2 CHANGES IN ACCOUNTING POLICIES (Continued)

### As a lessee

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.

The Group assesses that the right-of-use assets and lease liability as at 1 January 2019 upon implementation of HKFRS 16 is approximate to the total operating lease commitments of HK\$1,071,000 as disclosed in note 26(b) to the consolidated financial statements of the year ended 31 December 2018. The Group considers that the impact upon transition to HKFRS 16 is not significant and, accordingly, no reconciliation between the opening balance of lease liabilities as at 1 January 2019 and operating lease commitment as at 31 December 2018 was prepared.

### As a lessor

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

## 3 REVENUE

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services.

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with HKFRS 15, *Revenue from contracts with customers*, except for rental income derived from properties and hotels' shops which is recognised under the scope of HKFRS 16, *Leases*. Disaggregation of revenue from contracts with customers by nature is as follows:

	2019 HK\$'000	2018 HK\$'000
Hotel and club operations		
– Rooms and shops	974,916	1,015,503
– Food and beverage	339,623	342,149
– Slot machine income	471,633	498,683
– Other	48,877	52,015
	<b>1,835,049</b>	<b>1,908,350</b>
Proceeds from sales of properties	6,080	16,880
Rental income	96,075	89,881
Management fee income	6,195	7,290
	<b>1,943,399</b>	<b>2,022,401</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 4 OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

### (a) Other revenue

	2019 HK\$'000	2018 HK\$'000
Interest income	46,848	36,366
Dividend income from listed and unlisted securities	10,653	473
Others	23,937	21,819
	<u>81,438</u>	<u>58,658</u>

### (b) Other net gains/(losses)

	2019 HK\$'000	2018 HK\$'000
Net exchange losses	(10,862)	(8,681)
Net realised and unrealised losses on derivative financial instruments	(4,399)	(97)
Net unrealised gains on other non-current financial assets	34,376	–
Net unrealised gains/(losses) on trading securities	2,959	(87)
Loss on disposal of property, plant and equipment	(11,290)	(8,158)
Others	583	298
	<u>11,367</u>	<u>(16,725)</u>

## 5 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	2019 HK\$'000	2018 HK\$'000
Bank loan interests	54,591	50,147
Discounting effect on loans from non-controlling shareholders	4,949	4,764
Other interest expenses	209	182
	<u>59,749</u>	<u>55,093</u>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 5 PROFIT BEFORE TAXATION (Continued)

### (b) Staff costs

	2019 HK\$'000	2018 HK\$'000
Salaries, wages and other benefits	617,462	595,911
Contributions to defined contribution retirement plans	8,839	10,854
	<b>626,301</b>	<b>606,765</b>

### Employee benefits

Summary of defined contribution retirement schemes participated by the Group by location is as follows:

Location	Defined contribution retirement schemes	Details of the scheme
Hong Kong	Mandatory Provident Fund scheme	5% of the employees' relevant income with a ceiling of HK\$1,500 per month by both employers and employees
Macau	Social Security Fund	MOP60 by employers and MOP30 by employees on a monthly basis
PRC	Central pension scheme	19% of the employees' salaries cost in accordance with the relevant regulations by employers
Vietnam	Social insurance fund scheme	At a prevailing rate of 21.5% of basic salaries by employers
United States	Voluntary Defined Contribution Program	Between 0% and 50% of the compensation to the plan subject to certain maximum limits on a pre-tax basis by employees and provisions for matching contributions, which are based on a portion of the participants' eligible compensation, by employers
Canada	Canadian Pension Plan	Employers and employees contribute at 4.95% each to an employee's earnings subject to certain maximum limits
Japan	Pension plan	Both employers and employees are required to contribute at 9.1% of the employee's monthly salary

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 5 PROFIT BEFORE TAXATION (continued)

### (c) Other items

	2019 HK\$'000	2018 HK\$'000
Cost of inventories	201,444	218,699
Auditors' remuneration		
– Audit services	3,882	3,209
– Interim review	849	825
– Tax advisory and other services	562	1,224
Impairment losses on trade and other receivables	–	4,792
Rentals income from investment properties less direct outgoings of HK\$889,000 (2018: HK\$436,000)	(30,575)	(27,920)
Rentals income from properties held for sale and other rental income less direct outgoings of HK\$1,646,000 (2018: HK\$1,447,000)	(62,885)	(60,078)

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### (a) Taxation in the consolidated statement of profit or loss represents:

	2019 HK\$'000	2018 HK\$'000
<b>Current tax – Overseas</b>		
Provision for the year (note 23(a))	19,129	30,501
Under-provision in respect of prior years	5,430	3,617
	24,559	34,118
<b>Deferred tax (note 23(b))</b>		
Origination and reversal of other temporary differences (see note (x))	(103,797)	(14,690)
	(103,797)	(14,690)
	(79,238)	19,428

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income during the years ended 31 December 2018 and 2019.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2018: 20%) for the year ended 31 December 2019. Tax adjustment as a result of tax review exercise in Vietnam is recognised as "Tax adjustment for over-payment in prior years" in Note 6(b) during the year ended 31 December 2019. Comparative information for 2018 has been reclassified to conform to current year's presentation.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

### (a) Taxation in the consolidated statement of profit or loss represents: (Continued)

Notes: (Continued)

- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2018: 25%) of the estimated taxable profits for the year ended 31 December 2019. No provision has been made for PRC Enterprise Income Tax as the subsidiary sustained a loss for taxation purposes during the years ended 31 December 2018 and 2019.
- (v) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 21% (2018: 21%) and 12.64% (2018: 12.64%) respectively determined by income ranges for the year ended 31 December 2019.
- (vi) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 21.42% (2018: 20.42%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau Complementary Tax is calculated at 12% (2018: 12%) of the estimated assessable profits for the year ended 31 December 2019. Macau Property Tax is calculated at 8% (2018: 10%) of the assessable rental income in Macau.
- (viii) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2018: 26.5%).
- (ix) Share of associates' tax for the year ended 31 December 2019 of HK\$3,215,000 (2018: HK\$2,346,000) is included in the share of profits less losses of associates.
- (x) Movement in temporary differences included operating losses and asset impairment (note 11(b)) recognised as deferred tax assets in respect of hotel operations in the United States.

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

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	45,087	335,931
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(30,425)	50,366
Tax effect of non-deductible expenses	12,212	21,168
Tax effect of non-taxable revenue	(28,470)	(11,613)
Under-provision in respect of prior years	5,430	3,617
Tax adjustment for over-payment in prior years (see Note 6(a)(iii))	(37,720)	(44,110)
Others	(265)	-
Actual tax (credit)/expense	(79,238)	19,428



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 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 are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2019 Total HK\$'000
<b>Executive directors</b>					
HO Kian Guan	170	1,212	404	–	1,786
HO Kian Hock	115	1,212	404	–	1,731
TSE See Fan Paul	205	–	–	–	205
CHAN Lui Ming Ivan	115	528	176	–	819
YU Yuet Chu Evelyn	145	1,130	367	18	1,660
HO Chung Tao	175	1,320	360	18	1,873
HO Chung Hui	80	396	132	–	608
HO Chung Kain (alternate director to HO Chung Hui)	5	396	132	–	533
<b>Non-executive directors</b>					
HO Kian Cheong	75	–	–	–	75
HO Chung Kiat Sydney (alternate director to HO Kian Cheong)	10	–	–	–	10
<b>Independent non-executive directors</b>					
CHAN Yau Hing Robin (retired on 6 June 2019)	104	–	–	–	104
KWOK Chi Shun Arthur	250	–	–	–	250
Stephen TAN (appointed on 6 June 2019)	125	–	–	–	125
WANG Poey Foon Angela	250	–	–	–	250
YU Hon To David	241	–	–	–	241
	<b>2,065</b>	<b>6,194</b>	<b>1,975</b>	<b>36</b>	<b>10,270</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 7 DIRECTORS' EMOLUMENTS (continued)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2018 Total HK\$'000
<b>Executive directors</b>					
HO Kian Guan	190	1,212	404	–	1,806
HO Kian Hock	125	1,212	404	–	1,741
TSE See Fan Paul	215	–	–	–	215
CHAN Lui Ming Ivan	125	528	176	–	829
YU Yuet Chu Evelyn	145	1,090	349	18	1,602
HO Chung Tao	170	1,320	360	18	1,868
HO Chung Hui	80	396	132	–	608
HO Chung Kain (alternate director to HO Chung Hui)	5	396	132	–	533
<b>Non-executive directors</b>					
HO Kian Cheong	75	–	–	–	75
HO Chung Kiat Sydney (alternate director to HO Kian Cheong)	5	–	–	–	5
<b>Independent non-executive directors</b>					
CHAN Yau Hing Robin	250	–	–	–	250
KWOK Chi Shun Arthur	250	–	–	–	250
WANG Poey Foon Angela	250	–	–	–	250
YU Hon To David	230	–	–	–	230
	2,115	6,154	1,957	36	10,262

The Company does not have any share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share based payments from the Company or any of its subsidiaries during the year ended 31 December 2019 (2018: Nil).

During the years ended 31 December 2019 and 2018, there were no amounts paid to directors and senior executives for the compensation for loss of office and inducement for joining the Group.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, none (2018: one) is a director whose emoluments are disclosed in note 7.

The aggregate of the emoluments in respect of the five (2018: four) other individuals is as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	10,298	7,917
Discretionary bonuses	3,885	3,177
Retirement scheme contributions	256	218
	<b>14,439</b>	<b>11,312</b>

The emoluments of the five (2018: four) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK\$2,000,001–HK\$2,500,000	–	1
HK\$2,500,001–HK\$3,000,000	3	1
HK\$3,000,001–HK\$3,500,000	2	2

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$5,516,000 (2018: HK\$196,579,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2019 and 2018.

There are no potential dilutive ordinary shares during the years ended 31 December 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical locations. The Group has identified the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

- (i) Hotel segment is primarily engaged in the businesses of hotel room accommodation, provision of food and beverage at hotel restaurant outlets and operation of slot machines at one of the Group's hotels.
- (ii) Property segment is primarily engaged in the businesses of leasing of the Group's investment properties, which mainly consist of retail, commercial and office properties in Macau and of development, sales and marketing of the Group's trading properties in Macau.
- (iii) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, non-trading and trading securities, financial instruments and other treasury operations.

### Segment results, assets and liabilities

Information regarding the Group's reportable segments is provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Segment assets principally comprise all tangible assets, other non-current assets and current assets directly attributable to each segment with the exception of interest in associates.

Segment liabilities include all trade and other payables attributable to the individual segments and other borrowings managed directly by the segments with the exception of bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 10 SEGMENT REPORTING (continued)

### (a) Analysis of segment results of the Group

	Revenue HK\$'000	Inter- segment revenue HK\$'000	Total HK\$'000	Other revenue HK\$'000	Depreciation HK\$'000	Impairment loss on a hotel property HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
<b>2019</b>										
Hotel	1,827,854	-	1,827,854	30,781	(162,185)	(274,115)	(59,519)	5,684	99,508	(17,025)
- Vietnam	788,057	-	788,057	2,994	(46,990)	-	(441)	4,411	(4,529)	192,143
- United States	847,868	-	847,868	25,747	(91,151)	(274,115)	(53,324)	-	109,502	(222,696)
- The People's Republic of China	65,415	-	65,415	459	(10,064)	-	(4,949)	-	-	(3,934)
- Canada	91,175	-	91,175	1,546	(10,137)	-	(805)	1,273	(2,974)	9,426
- Japan	35,339	-	35,339	35	(3,843)	-	-	-	(2,491)	8,036
Property										
- Macau	112,574	2,721	115,295	21,025	(4,530)	-	(230)	-	(11,163)	103,599
Investment and corporate	2,971	-	2,971	29,632	(94)	-	-	(2)	(9,107)	37,751
Inter-segment elimination	-	(2,721)	(2,721)	-	-	-	-	-	-	-
<b>Total</b>	<b>1,943,399</b>	<b>-</b>	<b>1,943,399</b>	<b>81,438</b>	<b>(166,809)</b>	<b>(274,115)</b>	<b>(59,749)</b>	<b>5,682</b>	<b>79,238</b>	<b>124,325</b>

	Revenue HK\$'000	Inter- segment revenue HK\$'000	Total HK\$'000	Other revenue HK\$'000	Depreciation HK\$'000	Impairment loss on a hotel property HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
<b>2018</b>										
Hotel	1,900,295	-	1,900,295	24,467	(140,950)	-	(54,904)	6,834	7,643	238,850
- Vietnam	813,840	-	813,840	125	(38,851)	-	(148)	7,482	2,733	210,588
- United States	877,662	-	877,662	22,178	(76,953)	-	(49,176)	-	7,846	6,585
- The People's Republic of China	68,741	-	68,741	160	(11,476)	-	(4,764)	-	-	(6,010)
- Canada	98,582	-	98,582	1,996	(10,009)	-	(816)	(648)	(3,815)	9,932
- Japan	41,470	-	41,470	8	(3,661)	-	-	-	879	17,755
Property										
- Macau	118,985	2,095	121,080	17,337	(4,808)	-	(189)	-	(16,643)	91,786
Investment and corporate	3,121	-	3,121	16,854	(86)	-	-	(1)	(10,428)	(14,133)
Inter-segment elimination	-	(2,095)	(2,095)	-	-	-	-	-	-	-
<b>Total</b>	<b>2,022,401</b>	<b>-</b>	<b>2,022,401</b>	<b>58,658</b>	<b>(145,844)</b>	<b>-</b>	<b>(55,093)</b>	<b>6,833</b>	<b>(19,428)</b>	<b>316,503</b>

The amount of each significant category of revenue recognised in revenue during the year is analysed in note 3 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 10 SEGMENT REPORTING (continued)

### (b) Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>At 31 December 2019</b>				
Hotel				
– Vietnam	485,050	83,066	568,116	124,623
– United States	2,611,481	–	2,611,481	196,302
– The People's Republic of China	171,688	–	171,688	4,444
– Canada	147,651	33,823	181,474	8,100
– Japan	111,550	–	111,550	1,088
Property				
– Macau	1,910,233	–	1,910,233	617
Investment and corporate	1,273,408	4,171	1,277,579	12
<b>Total</b>	<b>6,711,061</b>	<b>121,060</b>	<b>6,832,121</b>	<b>335,186</b>

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>At 31 December 2018</b>				
Hotel				
– Vietnam	434,420	78,655	513,075	50,646
– United States	2,698,833	–	2,698,833	133,996
– The People's Republic of China	180,583	–	180,583	2,452
– Canada	137,003	31,740	168,743	4,027
– Japan	120,430	–	120,430	645
Property				
– Macau	1,845,833	–	1,845,833	306
Investment and corporate	1,072,113	4,192	1,076,305	41
<b>Total</b>	<b>6,489,215</b>	<b>114,587</b>	<b>6,603,802</b>	<b>192,113</b>

Investment and corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the Group treasury function.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 10 SEGMENT REPORTING (continued)

### (c) Analysis of total liabilities of the Group

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
<b>At 31 December 2019</b>			
Hotel			
– Vietnam	170,610	120,818	291,428
– United States	140,980	1,641,485	1,782,465
– The People's Republic of China	99,682	–	99,682
– Canada	9,402	22,421	31,823
– Japan	2,824	–	2,824
Property			
– Macau	175,989	–	175,989
Investment and corporate	70,238	–	70,238
<b>Total</b>	<b>669,725</b>	<b>1,784,724</b>	<b>2,454,449</b>

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
<b>At 31 December 2018</b>			
Hotel			
– Vietnam	138,752	51,274	190,026
– United States	133,056	1,480,232	1,613,288
– The People's Republic of China	95,643	–	95,643
– Canada	9,895	23,305	33,200
– Japan	2,302	–	2,302
Property			
– Macau	180,913	–	180,913
Investment and corporate	68,214	–	68,214
<b>Total</b>	<b>628,775</b>	<b>1,554,811</b>	<b>2,183,586</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND

### (a) Reconciliation of carrying amount

	Property, plant and equipment					Land			
	Investment properties	Hotel properties	Other property, plant and equipment	Furniture, fixtures and equipment	Sub-total	Freehold land	Interests in leasehold land held for own use	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>									
At 1 January 2019	834,700	3,165,141	109,096	817,540	4,091,777	744,656	170,699	915,355	5,841,832
Additions	-	230,042	1,562	103,582	335,186	-	-	-	335,186
Disposals	-	(17,559)	(264)	(47,434)	(65,257)	-	-	-	(65,257)
Surplus on revaluation	39,000	-	-	-	-	-	-	-	39,000
Exchange adjustments	-	(12,528)	162	(5,239)	(17,605)	(2,465)	(2,122)	(4,587)	(22,192)
<b>At 31 December 2019</b>	<b>873,700</b>	<b>3,365,096</b>	<b>110,556</b>	<b>868,449</b>	<b>4,344,101</b>	<b>742,191</b>	<b>168,577</b>	<b>910,768</b>	<b>6,128,569</b>
<b>Representing:</b>									
Cost	-	3,365,096	110,556	868,449	4,344,101	742,191	168,577	910,768	5,254,869
Valuation - 2019	873,700	-	-	-	-	-	-	-	873,700
	<b>873,700</b>	<b>3,365,096</b>	<b>110,556</b>	<b>868,449</b>	<b>4,344,101</b>	<b>742,191</b>	<b>168,577</b>	<b>910,768</b>	<b>6,128,569</b>
<b>Accumulated depreciation and impairment:</b>									
At 1 January 2019	-	1,054,148	80,412	581,030	1,715,590	-	84,029	84,029	1,799,619
Charge for the year	-	88,477	4,327	70,694	163,498	-	3,311	3,311	166,809
Written back on disposals	-	(7,027)	(131)	(45,348)	(52,506)	-	-	-	(52,506)
Impairment loss	-	274,115	-	-	274,115	-	-	-	274,115
Exchange adjustments	-	(6,079)	157	(3,658)	(9,580)	-	(846)	(846)	(10,426)
<b>At 31 December 2019</b>	<b>-</b>	<b>1,403,634</b>	<b>84,765</b>	<b>602,718</b>	<b>2,091,117</b>	<b>-</b>	<b>86,494</b>	<b>86,494</b>	<b>2,177,611</b>
<b>Net book value:</b>									
At 31 December 2019	873,700	1,961,462	25,791	265,731	2,252,984	742,191	82,083	824,274	3,950,958



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

### (a) Reconciliation of carrying amount

	Property, plant and equipment					Land			
	Investment properties	Hotel properties	Other property, plant and equipment	Furniture, fixtures and equipment	Sub-total	Freehold land	Interests in leasehold land held for own use	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>									
At 1 January 2018	802,500	3,128,320	107,228	746,142	3,981,690	744,014	174,788	918,802	5,702,992
Additions	-	83,419	2,651	106,043	192,113	-	-	-	192,113
Disposals	-	(13,054)	(218)	(22,359)	(35,631)	-	-	-	(35,631)
Surplus on revaluation	32,200	-	-	-	-	-	-	-	32,200
Exchange adjustments	-	(33,544)	(565)	(12,286)	(46,395)	642	(4,089)	(3,447)	(49,842)
At 31 December 2018	834,700	3,165,141	109,096	817,540	4,091,777	744,656	170,699	915,355	5,841,832
<b>Representing:</b>									
Cost	-	3,165,141	109,096	817,540	4,091,777	744,656	170,699	915,355	5,007,132
Valuation - 2018	834,700	-	-	-	-	-	-	-	834,700
	834,700	3,165,141	109,096	817,540	4,091,777	744,656	170,699	915,355	5,841,832
<b>Accumulated depreciation and impairment:</b>									
At 1 January 2018	-	997,992	77,040	552,797	1,627,829	-	82,287	82,287	1,710,116
Charge for the year	-	81,374	4,099	56,974	142,447	-	3,397	3,397	145,844
Written back on disposals	-	(4,694)	(218)	(20,423)	(25,335)	-	-	-	(25,335)
Exchange adjustments	-	(20,524)	(509)	(8,318)	(29,351)	-	(1,655)	(1,655)	(31,006)
At 31 December 2018	-	1,054,148	80,412	581,030	1,715,590	-	84,029	84,029	1,799,619
<b>Net book value:</b>									
At 31 December 2018	834,700	2,110,993	28,684	236,510	2,376,187	744,656	86,670	831,326	4,042,213

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

### (a) Reconciliation of carrying amount (Continued)

Notes:

(i) Fair value measurement of investment properties

The investment properties were valued by Jones Lang LaSalle Limited, an independent firm of professional surveyors with appropriate qualifications and experience in the location and category of property being valued, using the income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by capitalising the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit rent at the capitalisation rate after the existing lease period.

The fair value of the Group's investment properties falls under Level 3 of the three-level fair value hierarchy as defined in HKFRS 13. The significant unobservable inputs were average unit rent per month ranging from HK\$13.7 to HK\$25.8 (2018: HK\$13.5 to HK\$25.3) per square foot and capitalisation rate ranging from 3.0% to 4.5% (2018: 3.0% to 4.5%) for the investment properties in Macau. The fair value measurement of the investment properties is positively correlated to the average unit rent per month and negatively correlated to the capitalisation rate.

The Group's senior management reviews the valuations performed by the independent valuers for financial reporting purposes. A valuation report with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the executive directors. Discussion of the valuation process and results are held between the senior management and independent valuer twice a year, to coincide with the Group's interim and annual reporting dates.

(ii) Land use rights were granted to the subsidiaries for their hotel properties in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Ho Chi Minh City, Vietnam with a period of 48 years commencing on 7 May 1994.

(iii) A club house situated in Ocean Gardens is classified under property, plant and equipment.

### (b) Impairment loss on a hotel property

The value of hotel properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. These indications include continuing adverse changes in the local market conditions in which the hotel operates, particularly when the hotel continues to operate at a loss and when its operating performance is behind budget. The valuations assess the recoverable amount of each hotel property being higher of its fair value less costs of disposal using the market comparison approach and value in use using the income approach.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

### (b) Impairment loss on a hotel property (Continued)

During the year ended 31 December 2019, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms. The Group assessed the recoverable amount of this hotel property and as a result the overall carrying amount of the hotel property was written down to its recoverable amount of HK\$1,479,910,000. Accordingly, impairment loss of HK\$274,115,000 was recognised as a separate line item in the Group's consolidated statement of profit or loss. The estimated recoverable amount of this hotel was determined based on value in use calculations. These calculations use cash flow projections based on the latest financial budgets approved by management with estimated average revenue growth rates of 2% to 8% from 2020 to 2022 and 3% from 2023 to 2029 and terminal capitalisation rate of 5.75%. The cash flows are discounted using a pre-tax discount rate of 8%. These key estimates and assumptions adopted by management are based on past performance and management's expectations for the market development with reference to publicly available market data. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future periods. No impairment loss nor reversal of impairment loss on a hotel property was recognised during the year ended 31 December 2018.

### (c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Ownership interests in leasehold land held for own use, carried at cost, with remaining lease term of:			
– between 10 and 50 years	(i)	82,082	86,670
Ownership interests in leasehold other property, plant and equipment held for own use, carried at cost, with remaining lease term of:			
– between 10 and 50 years		2,726	2,802
– less than 10 years		12,193	16,063
		14,919	18,865
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of:			
– less than 10 years		873,700	834,700
		970,701	940,235

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

### (c) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK\$'000	2018 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	3,311	3,397
Ownership interests in leasehold other property, plant and equipment	3,559	3,560
	<b>6,870</b>	<b>6,957</b>
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	353	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	420

#### (i) Ownership interests in leasehold land held for own use

The Group holds ownership interests in several leasehold lands for its hotel and club operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments required by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

#### (d) Properties leased out under operating leases

The Group leases out hotels' shops and investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date, at which time all terms are renegotiated. Lease payments are usually increased every two years to reflect market rentals. None of the leases includes variable lease payments.

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 HK\$'000	2018 HK\$'000
Within 1 year	44,495	37,596
After 1 year but within 2 years	24,125	24,483
After 2 year but within 3 years	14,180	10,719
After 3 year but within 4 years	11,147	9,068
After 4 year but within 5 years	8,364	8,562
After 5 years	3,120	9,414
	<b>105,431</b>	<b>99,842</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 12 INTEREST IN SUBSIDIARIES

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group, all of which are controlled subsidiaries as defined under note 1(c) and whose results, assets and liabilities have been consolidated into the Group financial statements. The class of shares held is ordinary unless otherwise stated.

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Ocean Incorporation Ltd	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	-	Property investment and investment holding
Golden Crown Development Limited ("Golden Crown")	Macau	70,000,000 shares of Ptc1 each	70.61%	-	70.61%	Property development and investment
Ocean Place Joint Venture Company Limited ("OPJV")	Vietnam	US\$29,100,000	64.12%**	-	70%	Operation of a hotel
Hubei Qing Chuan Hotel Company Limited ("Qing Chuan") **	PRC	US\$16,300,000	41.26%	-	55%	Operation of a hotel
KSSF Enterprises Limited	USA	26,000,000 common stock and 35,000,000 series A preferred stock of US\$1 each	100%	-	100%	Operation of a hotel
KSSNY, Inc.	USA	26,000,000 common stock and 69,000,000 preferred stock of US\$1 each	100%	-	100%	Operation of a hotel
Godo Kaisha TSM 107	Japan	JPY500,000	100%	0.54%	99.46%	Operation of a hotel
Chateau Ottawa Hotel Inc. ("Chateau Ottawa")	Canada	9,000,000 common shares and 2,700,000 preferred shares of C\$1 each	50% <sup>®</sup>	-	50%	Operation of a hotel

\* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately 3.30% (2018: 2.83%) and 3.68% (2018: 3.76%) respectively of the related consolidated totals.

# Qing Chuan was established in the PRC as a Sino-foreign equity joint venture in 1995.

\*\* The Group's effective equity interest in OPJV of 64.12% is computed based on the shareholding held by the Company and its subsidiaries.

<sup>®</sup> Notwithstanding the Group's contribution of 50% of the issued equity capital of Chateau Ottawa, as the Group's ultimate holding company, KS Ocean Inc. undertook that it would exercise its 5% voting right in Chateau Ottawa in accordance with the instruction of the Company. Accordingly, the directors consider that the Group controls Chateau Ottawa and account for its investment as subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 12 INTEREST IN SUBSIDIARIES (continued)

The following table lists out the information relating to Golden Crown and OPJV of the Group which have material non-controlling interests (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Golden Crown		OPJV	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
NCI percentage	29.39%	29.39%	45.04%	45.04%
Current assets	843,132	837,883	102,431	116,968
Non-current assets	728,708	693,503	382,619	317,452
Current liabilities	(172,045)	(174,349)	(228,405)	(138,859)
Non-current liabilities	(84,327)	(79,812)	(63,068)	(51,274)
Net assets	1,315,468	1,277,225	193,577	244,287
Carrying amount of NCI	386,616	375,376	131,615	143,047
Revenue	89,759	95,725	788,057	813,840
Profit for the year	97,042	86,646	187,731	203,106
Total comprehensive income	97,042	86,646	185,514	194,036
Profit allocated to NCI	28,521	25,465	84,555	91,479
Dividend paid to NCI	17,281	14,381	94,987	85,401
Cash flows from operating activities	15,438	16,485	120,425	118,191
Cash flows from investing activities	3,968	3,590	(56,428)	(31,268)
Cash flows from financing activities	(17,354)	(14,932)	(74,816)	(74,250)

## 13 INTEREST IN ASSOCIATES

	2019 HK\$'000	2018 HK\$'000
Share of net assets	117,387	110,895
Loans to associates	3,673	3,692
	121,060	114,587
Loan from an associate	464	464

Loans to associates are unsecured and recoverable on demand and are not expected to be recovered within one year. The management assessed that the allowance for expected credit losses is insignificant during the years ended 31 December 2019 and 2018.

Loan from an associate is unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 13 INTEREST IN ASSOCIATES (continued)

The following list contains the particulars of associates, all of which are unlisted corporate entities, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
KSF Enterprises Sdn Bhd ("KSF")	Incorporated	Malaysia	25%	25%	Investment holding (note (a))
Porchester Assets Limited ("PAL")	Incorporated	British Virgin Islands	49%	49%	Investment holding (note (b))

Notes:

- (a) KSF holds 100% interest in KSD Enterprises Ltd. ("KSD") which operates Delta Hotels by Marriott Toronto Airport & Conference Centre in Canada.
- (b) PAL holds 51% interest in Chains Caravelle Hotel Joint Venture Company Limited ("CCH") which operates the Caravelle Hotel in Vietnam. The Group's effective interest in CCH is 24.99%.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 13 INTEREST IN ASSOCIATES (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	CCH	
	2019 HK\$'000	2018 HK\$'000
<i>Gross amounts of the associate</i>		
Current assets	189,626	238,643
Non-current assets	288,463	209,195
Current liabilities	(56,059)	(37,587)
Non-current liabilities	(47,245)	(47,161)
Equity	374,785	363,090
Revenue	355,713	341,352
Profit for the year	11,683	31,282
Total comprehensive income	11,683	31,282
Dividend received/receivable from the associate	-	-
<i>Reconciled to the Group's interest in the associate</i>		
Gross amounts of net assets of the associate	374,785	363,090
Group's effective interest	24.99%	24.99%
Carrying amount in the consolidated financial statements	93,659	90,736

Aggregate information of associates that are not individually material:

	2019 HK\$'000	2018 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	23,728	20,159
Aggregated amounts of the Group's share of those associates'		
Profit/(loss) for the year	2,762	(984)
Other comprehensive income	819	(1,826)
Total comprehensive income	3,581	(2,810)



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 14 OTHER NON-CURRENT FINANCIAL ASSETS

	Note	2019 HK\$'000	2018 HK\$'000
<b>Equity securities designated at FVOCI (non-recycling)</b>			
– Listed outside Hong Kong		4,239	4,196
<b>Financial assets measured at FVPL</b>			
– Unlisted securities	(i)	246,758	219,099
		<b>250,997</b>	<b>223,295</b>

Note:

- (i) At 31 December 2019, the Group has owned 9.86% (2018: 10.87%) interest of A2I Holdings S.A.R.L.. A2I Holdings S.A.R.L. is a private limited liability company incorporated in Luxembourg which owns 7.02% (2018: 6.39%) equity shares of AccorInvest Group S.A..

## 15 TRADING SECURITIES

	2019 HK\$'000	2018 HK\$'000
Equity securities listed outside Hong Kong, at market value	11,899	8,940

## 16 PROPERTIES HELD FOR SALE

The title and lease term of the properties held for sale by the Group is summarised as follows:

	2019 HK\$'000	2018 HK\$'000
Outside Hong Kong		
– freehold	8,599	8,599
– short term lease	271,874	271,441
	<b>280,473</b>	<b>280,040</b>

The rental income from properties held for sale is set out in note 5(c).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

### 16 PROPERTIES HELD FOR SALE (Continued)

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 HK\$'000	2018 HK\$'000
Within 1 year	32,340	33,393
After 1 year but within 2 years	9,342	12,534
After 2 year but within 3 years	519	725
After 3 year but within 4 years	–	164
	<b>42,201</b>	<b>46,816</b>

### 17 TRADE AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	40,855	38,924
Other receivables, deposits and prepayments	72,416	52,901
	<b>113,271</b>	<b>91,825</b>

The Group's credit policy is set out in note 25(a).

	2019 HK\$'000	2018 HK\$'000
Amounts expected to be recoverable:		
– within one year	112,090	90,508
– after one year	1,181	1,317
	<b>113,271</b>	<b>91,825</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 17 TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables are trade receivables (net of loss allowance) with the following ageing analysis (by invoice date) as of the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
Within one month	33,329	26,496
One to three months	6,838	12,201
More than three months	688	227
	<b>40,855</b>	<b>38,924</b>

82% of trade receivables at 31 December 2019 (2018: 68%) were neither past due nor more than one month past due.

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 may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The general credit terms allowed range from 0 to 30 days. Trade customers with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. 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. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The management assessed that the allowance for expected credit losses is insignificant during the years ended 31 December 2019 and 2018.

## 18 DEPOSITS AND CASH

### (a) Deposits and cash:

	2019 HK\$'000	2018 HK\$'000
Deposits with banks and other financial institutions	1,733,658	1,580,525
Cash at bank	244,814	240,564
	<b>1,978,472</b>	<b>1,821,089</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

### 18 DEPOSITS AND CASH (continued)

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

	Note	2019 HK\$'000	2018 HK\$'000
Profit before taxation		45,087	335,931
Adjustments for:			
Net increase in fair value of investment properties	11(a)	(39,000)	(32,200)
Depreciation	11(a)	166,809	145,844
Impairment loss on a hotel property	11(b)	274,115	–
Interest income	4(a)	(46,848)	(36,366)
Dividend income from listed and unlisted securities	4(a)	(10,653)	(473)
Net realised and unrealised losses on derivative financial instruments	4(b)	4,399	97
Net unrealised gains on other non-current financial assets	4(b)	(34,376)	–
Net unrealised (gains)/losses on trading securities	4(b)	(2,959)	87
Impairment losses on trade and other receivables	5(c)	–	4,792
Loss on disposal of property, plant and equipment	4(b)	11,290	8,158
Finance costs	5(a)	59,749	55,093
Share of profits less losses of associates		(5,682)	(6,833)
Foreign exchange differences		5,932	(15)
Operating profit before changes in working capital		427,863	474,115
(Increase)/decrease in properties held for sale		(433)	210
(Increase)/decrease in inventories		(330)	302
Increase in trade and other receivables		(21,537)	(15,059)
Increase in trade and other payables		50,352	30,938
Cash generated from operations		455,915	490,506

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 18 DEPOSITS AND CASH (continued)

### (c) 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.

	Bank loans and other borrowings HK\$'000 (note (i))	Accrued interest HK\$'000 (note (ii))	Total HK\$'000
<b>At 1 January 2019</b>	1,665,185	2,924	1,668,109
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	305,088	–	305,088
Repayment of bank loans	(66,419)	–	(66,419)
Repayment of loans from non-controlling shareholders	(7,234)	–	(7,234)
Interest paid	–	(54,892)	(54,892)
<b>Total changes from financing cash flows</b>	<b>231,435</b>	<b>(54,892)</b>	<b>176,543</b>
<b>Exchange adjustments</b>	<b>(9,390)</b>	<b>16</b>	<b>(9,374)</b>
<b>Other change:</b>			
Interest expenses (note 5(a))	4,949	54,800	59,749
<b>Total other change</b>	<b>4,949</b>	<b>54,800</b>	<b>59,749</b>
<b>At 31 December 2019</b>	<b>1,892,179</b>	<b>2,848</b>	<b>1,895,027</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 18 DEPOSITS AND CASH (continued)

### (c) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank loans and other borrowings HK\$'000 (note (i))	Accrued interest HK\$'000 (note (ii))	Total HK\$'000
<b>At 1 January 2018</b>	1,603,698	3,008	1,606,706
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	127,039	–	127,039
Repayment of bank loans	(66,599)	–	(66,599)
Interest paid	–	(50,420)	(50,420)
<b>Total changes from financing cash flows</b>	<b>60,440</b>	<b>(50,420)</b>	<b>10,020</b>
<b>Exchange adjustments</b>	<b>(3,717)</b>	<b>7</b>	<b>(3,710)</b>
<b>Other change:</b>			
Interest expenses (note 5(a))	4,764	50,329	55,093
<b>Total other change</b>	<b>4,764</b>	<b>50,329</b>	<b>55,093</b>
<b>At 31 December 2018</b>	<b>1,665,185</b>	<b>2,924</b>	<b>1,668,109</b>

Note:

- (i) Bank loans and other borrowings consist of loan from an associate, bank loans and loans from non-controlling shareholders as disclosed in notes 13, 19 and 22.
- (ii) Accrued interest is included in “Payables and accruals” as disclosed in note 20.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 19 BANK LOANS

(a) At 31 December 2019, the bank loans were repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 year or on demand	1,701,024	144,689
After 1 year but within 2 years	64,857	1,363,499
After 2 years but within 5 years	18,843	46,623
	83,700	1,410,122
	1,784,724	1,554,811

At 31 December 2019, the bank loans were secured and unsecured as follows:

	2019 HK\$'000	2018 HK\$'000
Bank loans		
– Secured (note 19(b))	1,663,906	1,503,537
– Unsecured	120,818	51,274
	1,784,724	1,554,811

At 31 December 2019 and 2018, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 31 December 2019, the banking facilities available to the Company and certain subsidiaries of the Group were secured by:

- (i) Properties held for sale with a carrying value of HK\$64,336,000 (2018: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,709,974,000 (2018: HK\$2,623,048,000).

Such banking facilities amounted to HK\$1,748,975,000 (2018: HK\$1,588,624,000) and were utilised to the extent of HK\$1,663,906,000 as at 31 December 2019 (2018: HK\$1,503,537,000).

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 19 BANK LOANS (continued)

- (c) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the draw down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2019, certain covenant ratios of a bank loan ("Covenant") entered by one of the Group's subsidiaries deviated from the requirement as stated in the relevant loan agreement (2018: Nil). Subsequent to the year end, the Group's management has obtained the waivers from the bank to waive the testing of the Covenant. There was no impact on the classification of the bank loan as at 31 December 2019 as the bank loan was wholly repayable within one year and thus was classified under "Current liabilities".

## 20 TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	101,601	109,307
Payables and accruals	176,941	164,562
Deposits and receipts in advance	162,775	124,138
	<b>441,317</b>	<b>398,007</b>

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within one month	69,711	69,835
One to three months	30,178	31,409
More than three months	1,712	8,063
	<b>101,601</b>	<b>109,307</b>

All of the payables and accruals are expected to be settled within one year.

## 21 DEFERRED REVENUE

Deferred revenue represents amounts received in advance under service contracts. The amounts expected to be recognised as income after more than one year are included under non-current liabilities.

## 22 LOANS FROM NON-CONTROLLING SHAREHOLDERS

As at 31 December 2019, loans from non-controlling shareholders are unsecured, interest-free and repayable on demand.

As at 31 December 2018, loans from non-controlling shareholders were unsecured, interest-free and repayable on demand except for amounts of HK\$82,055,000 which were repayable on 30 April 2020.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the statement of financial position represents:

	2019 HK\$'000	2018 HK\$'000
Provision for overseas tax for the year	19,129	30,501
Provisional tax paid	(11,220)	(41,005)
	7,909	(10,504)
Balance of overseas tax payable relating to prior years	6,775	27,682
	14,684	17,178
Taxation recoverable	(1,971)	(2,452)
Taxation payable	16,655	19,630
	14,684	17,178

### (b) Deferred tax assets and liabilities recognised:

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

	Revaluation of investment properties HK\$'000	Tax losses recognised HK\$'000	Withholding tax HK\$'000	Depreciation allowance in excess of the related depreciation and others HK\$'000	Total HK\$'000
<b>Deferred tax arising from:</b>					
At 1 January 2019	93,281	(688)	(171)	(5,444)	86,978
Charged/(credited) to profit or loss (note 6(a))	4,941	(45,883)	2,485	(65,340)	(103,797)
Exchange difference	-	265	(7)	88	346
At 31 December 2019	98,222	(46,306)	2,307	(70,696)	(16,473)
At 1 January 2018	89,156	(530)	4,859	7,525	101,010
Charged/(credited) to profit or loss (note 6(a))	4,125	(158)	(5,037)	(13,620)	(14,690)
Exchange difference	-	-	7	651	658
At 31 December 2018	93,281	(688)	(171)	(5,444)	86,978

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (continued)

### (b) Deferred tax assets and liabilities recognised: (Continued)

Deferred tax assets and liabilities recognised:

	2019 HK\$'000	2018 HK\$'000
Net deferred tax assets recognised in the statement of financial position	(116,081)	(8,350)
Net deferred tax liabilities recognised in the statement of financial position	99,608	95,328
	<u>(16,473)</u>	<u>86,978</u>

### (c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2019 HK\$'000	2018 HK\$'000
Future benefit of tax losses	8,426	9,800

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 31 December 2019. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Macau and PRC operations expire three years and five years respectively after the relevant accounting year end date.

## 24 CAPITAL, DIVIDENDS AND RESERVES

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 24 CAPITAL, DIVIDENDS AND RESERVES (continued)

### (a) Movements in components of equity (Continued)

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	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2018</b>	498,305	736	3,754	447,395	950,190
<b>Changes in equity for 2018:</b>					
Profit for the year	-	-	-	1,136,220	1,136,220
Other comprehensive income	-	-	(149)	-	(149)
Total comprehensive income for the year	-	-	(149)	1,136,220	1,136,071
Dividends approved in respect of the previous year (note (b))	-	-	-	(40,824)	(40,824)
Dividends approved in respect of the current year (note (b))	-	-	-	(13,608)	(13,608)
<b>Balance at 31 December 2018 and 1 January 2019</b>	<b>498,305</b>	<b>736</b>	<b>3,605</b>	<b>1,529,183</b>	<b>2,031,829</b>
<b>Changes in equity for 2019:</b>					
Profit for the year	-	-	-	122,844	122,844
Other comprehensive income	-	-	43	-	43
Total comprehensive income for the year	-	-	43	122,844	122,887
Dividends approved in respect of the previous year (note (b))	-	-	-	(40,824)	(40,824)
Dividends approved in respect of the current year (note (b))	-	-	-	(11,907)	(11,907)
<b>Balance at 31 December 2019</b>	<b>498,305</b>	<b>736</b>	<b>3,648</b>	<b>1,599,296</b>	<b>2,101,985</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 24 CAPITAL, DIVIDENDS AND RESERVES (continued)

### (b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared and paid of HK\$0.035 (2018: HK\$0.04) per ordinary share	11,907	13,608
Final dividend proposed after the end of the reporting period of HK\$0.045 (2018: HK\$0.12) per ordinary share	15,309	40,824
	<b>27,216</b>	<b>54,432</b>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company 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\$0.12 (2018: HK\$0.12) per ordinary share	40,824	40,824

### (c) Share capital

	2019		2018	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	340,200	498,305	340,200	498,305

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 24 CAPITAL, DIVIDENDS AND RESERVES (continued)

### (d) Nature and purpose of reserves

#### (i) Legal reserve

The legal reserve is non-distributable and represents transfer from annual profits up to a maximum of 50 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

#### (ii) 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 1(t).

#### (iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(e)).

#### (iv) Acquisition of non-controlling interests

During the year ended 31 December 2018, the Group has paid HK\$96,932,000 to acquire non-controlling interests in respect of the Group's interest in a hotel property situated in Japan.

### (e) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$1,599,296,000 (2018: HK\$1,529,183,000).

### (f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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 economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as total bank borrowings less deposits and cash (including pledged deposits). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 24 CAPITAL, DIVIDENDS AND RESERVES (continued)

### (f) Capital management (Continued)

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

	Note	2019 HK\$'000	2018 HK\$'000
Bank loans	19	1,784,724	1,554,811
Less: Deposits and cash	18	(1,978,472)	(1,821,089)
<b>Adjusted net cash</b>		<b>(193,748)</b>	<b>(266,278)</b>
Total equity		4,377,672	4,420,216
Less: Proposed dividends		(15,309)	(40,824)
<b>Adjusted capital</b>		<b>4,362,363</b>	<b>4,379,392</b>
<b>Adjusted net debt-to-equity ratio</b>		<b>N/A</b>	<b>N/A</b>

Except for covenants relating to certain of the banking facilities of the subsidiaries of the Group as disclosed in note 19, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. 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.

### (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. Substantially all the Group's cash and cash equivalents are deposited with financial institutions in Hong Kong, Macau, the PRC, Singapore, the United States, Japan, Canada and Vietnam that are of high-credit quality to minimise credit risk exposure.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade customers with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loan to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Repayable within 1 year or on demand HK\$'000	Repayable more than 1 year but less than 2 years HK\$'000	Repayable more than 2 years but less than 5 years HK\$'000
Bank loans	1,784,724	1,842,416	1,753,701	68,738	19,977
Trade and other payables	438,134	438,134	438,134	–	–
Loan from an associate	464	464	464	–	–
Loans from non-controlling shareholders	106,991	107,847	107,847	–	–
<b>At 31 December 2019</b>	<b>2,330,313</b>	<b>2,388,861</b>	<b>2,300,146</b>	<b>68,738</b>	<b>19,977</b>

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Repayable within 1 year or on demand HK\$'000	Repayable more than 1 year but less than 2 years HK\$'000	Repayable more than 2 years but less than 5 years HK\$'000
Bank loans	1,554,811	1,650,723	189,210	1,407,073	54,440
Trade and other payables	336,195	336,195	336,195	–	–
Loan from an associate	464	464	464	–	–
Loans from non-controlling shareholders	109,910	116,608	27,855	88,753	–
<b>At 31 December 2018</b>	<b>2,001,380</b>	<b>2,103,990</b>	<b>553,724</b>	<b>1,495,826</b>	<b>54,440</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (c) Currency risk

The Group is exposed to currency risk primarily through deposits and cash that are denominated in a currency other than the functional currency of the operations to which they relate. As the Hong Kong dollar (“HKD”) is pegged to United States dollar (“USD”), the Group does not expect any significant movements in the USD/HKD exchange rate. The currency giving rise to currency risk is primarily denominated in Euro.

#### (i) Exposure to currency risk

The following table details the Group’s significant exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

#### 2019

	Exposure to foreign currency
	Euro HK\$’000
Deposits and cash	18,187
<b>Net exposure arising from recognised assets and liabilities at 31 December 2019</b>	<b>18,187</b>

#### 2018

	Exposure to foreign currency
	Euro HK\$’000
Deposits and cash	5,587
<b>Net exposure arising from recognised assets and liabilities at 31 December 2018</b>	<b>5,587</b>



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (c) Currency risk (continued)

#### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise from foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would not be materially affected by any changes in movement in value of USD against other currencies. Other components of equity would not be affected by changes in the foreign exchange rates.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK\$'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK\$'000
Euro	10	1,819	10	559
	(10)	(1,819)	(10)	(559)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (d) Interest rate risk

- (i) The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings and income-earning financial assets. The following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice or the maturity dates, if earlier.

	Fixed/floating	2019		2018	
		Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
<b>Interest-bearing borrowings</b>					
Bank loans	Floating	3.26%–6.80%	1,784,724	3.05%–7.70%	1,554,811
<b>Income-earning financial assets</b>					
Cash	Floating	0.20%–7.20%	244,814	0.001%–6.60%	240,564
Deposits and cash	Fixed	1.00%–3.00%	1,733,658	0.10%–3.00%	1,580,525
			<b>1,978,472</b>	<b>1,821,089</b>	

### (ii) Sensitivity analysis

At 31 December 2019, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK\$10,631,000 (2018: HK\$11,008,000) and HK\$11,813,000 (2018: HK\$12,161,000). Other components of equity would not be affected by changes in the interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

### (e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading (note 14) and trading purposes (note 15). They have been selected taking reference to their longer term growth potential and are monitored regularly for performance.

Given that the volatility of the stock markets may not have a direct connection with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of other investments.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (e) Equity price risk (Continued)

At 31 December 2019, it is estimated that an increase/decrease of 5% in the market value of the Group's equity investments, with all other variables held constant, would increase/decrease the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2019			2018		
	%	Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000	%	Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000
<b>Change in the relevant equity price risk variable:</b>						
Increase	5	595	212	5	447	210
Decrease	(5)	(595)	(212)	(5)	(447)	(210)

The analysis is performed on the same basis for 2018.

### (f) Fair value measurement

#### (i) Financial assets and liabilities carried at fair value

The Group's listed securities are measured using market quoted price and therefore fall within the Level 1 fair value hierarchy as defined in HKFRS 13. All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy. The unlisted securities carried at fair value are categorised as falling under Level 3 of the fair value hierarchy.

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

#### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The Group's derivative financial instrument of interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties. This derivative financial instrument falls within the Level 2 fair value hierarchy as defined in HKFRS 13.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (f) Fair value measurement (Continued)

#### (iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity to changes in significant unobservable inputs
Unlisted securities	Adjusted net asset value	Underlying assets' value	N/A	The estimated fair value would increase if the underlying assets' value is higher; or the discount for marketability is lower.
		Discount for marketability	15% to 25% (2018: 15% to 25%)	

The fair value of unlisted securities is determined using adjusted net asset value, which is positively correlated to the underlying assets' values and negatively correlated to the discount for marketability. The following table indicates instantaneous changes in the Group's profit if there is an increase/decrease in these two significant unobservable inputs, assuming all other variables remain constant.

	Increase/(decrease) in significant unobservable inputs %	2019 Increase/(decrease) on the Group's profit HK\$'000	2018 Increase/(decrease) on the Group's profit HK\$'000
Underlying assets' value	5 (5)	12,338 (12,338)	10,955 (10,955)
Discount for marketability	1 (1)	(3,006) 3,006	(2,806) 2,806

The movements during the years in the balance of Level 3 fair value measurements are as follows:

	2019 HK\$'000	2018 HK\$'000
<i>Financial assets measured at FVPL:</i>		
<i>– Unlisted securities:</i>		
At 1 January	219,099	–
Net additions during the year	–	225,132
Price adjustment during the year	(2,053)	–
Changes in fair value recognised in profit or loss	34,333	–
Unrealised exchange loss	(4,621)	(6,033)
At 31 December	246,758	219,099

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (f) Fair value measurement (Continued)

#### (iv) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 31 December 2019.

## 26 COMMITMENTS

- (a) At 31 December 2019, capital commitments outstanding not provided for in the financial statements were as follows:

	2019 HK\$'000	2018 HK\$'000
Contracted for	39,156	252,073
Authorised but not contracted for	23,244	34,397
	<u>62,400</u>	<u>286,470</u>

- (b) At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK\$'000
Leases on premises expiring:	
– within one year	550
– after one year and within five years	521
	<u>1,071</u>

## 27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions, which were on commercial terms, with Mr HO Kian Cheong ("KC Ho"), and Goodland Limited ("Goodland").

KC Ho is a non-executive director and a substantial shareholder of the Company at 31 December 2019 and 2018. Goodland holds 28% of the equity interest in the Company at 31 December 2019 and 2018. Mr Ho Kian Guan and Mr Ho Kian Hock, executive directors of the Company, each had 1/3 indirect interest in Goodland and are also directors of Goodland. They are deemed to be interested in the following transactions.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

	Note	For the year ended 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>(a) Transactions with Goodland</b>			
Rental income receivable	(i)	1,641	1,517
Management fee payable	(ii)	3,300	3,204
<b>(b) Balances with Goodland</b>			
Amount due from Goodland		384	–
Loan from Goodland	(iii)	41,015	42,557
Amount due to Goodland	(iv)	15,776	25,854
<b>(c) Balances with KC Ho</b>			
Loan from KC Ho	(iii)	9,935	10,309
Amount due to KC Ho	(iii)	3,707	3,724

Notes:

- (i) A subsidiary of the Company rented certain of its properties to Goodland and received rental income.
- (ii) Certain subsidiaries of the Company paid management fees to Goodland.
- (iii) Loan from Goodland of HK\$41,015,000 (2018: HK\$42,557,000) and loan from KC Ho of HK\$9,935,000 (2018: HK\$10,309,000) were unsecured, interest-free and repayable on 30 April 2020. Amount due to KC Ho of HK\$3,707,000 (2018: HK\$3,724,000) is interest-free, unsecured and repayable on demand.

The above three items are included in loans from non-controlling shareholders (note 22).

- (iv) At 31 December 2019, trade and other payables included amount due to Goodland of HK\$15,776,000 (2018: HK\$25,854,000) comprising:
  - interest bearing accounts with certain subsidiaries of the Company amounting to HK\$1,328,000 (2018: HK\$10,092,000).
  - non-interest bearing accounts with certain subsidiaries of the Company amounted to HK\$14,448,000 (2018: HK\$15,762,000). The balances are unsecured and repayable on demand.

The balances are unsecured and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2019

## 27 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

The related party transactions above constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section “Connected Transaction” of the directors’ report.

## 28 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 25 contains information about the assumptions and their risk factors relating to financial instruments. Other significant sources of estimation uncertainty are as follows:

### (a) Key sources of estimation uncertainty

#### *(i) Valuation of investment properties*

Investment properties are included in the statement of financial position at their market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary income potential. The assumptions adopted in the property valuation are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

#### *(ii) Estimated useful lives of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease non-current assets.

#### *(iii) Impairment of assets*

The Group reviews internal and external sources of information at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset’s recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell 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 assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

#### *(iv) Deferred tax assets*

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 28 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (a) Key sources of estimation uncertainty (Continued)

#### (v) Fair value of derivative financial instruments

In determining the fair value of financial instruments, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. For financial instruments that are not traded in active markets, the fair values were based on the discounted cash flows method which discounts the future contractual cash flows at the current market foreign exchange rates for similar financial instruments that were available to the Group at the time.

#### (vi) Fair value of unlisted securities

The Group adopts the adjusted net asset value approach to assess the fair value of unlisted securities annually after taking into consideration the underlying assets' value and discount for marketability.

### (b) Critical accounting judgements in applying the Group's accounting policies

The Group has temporarily leased out certain properties held for sale but does not consider these properties to be investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified as properties held for sale.

## 29 CONTINGENT LIABILITIES

- (i) At 31 December 2019, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau Special Administrative Region Government in respect of properties held for sale amounted to HK\$8,252,000 (2018: HK\$8,252,000).

At 31 December 2019, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

- (ii) The Company has undertaken to provide financial support to one of its subsidiaries in order to enable it to continue to operate as a going concern.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	2,791	2,873
Interest in subsidiaries	1,222,045	1,251,246
Interest in associates	30,236	30,235
Other non-current financial assets	250,997	223,295
	<b>1,506,069</b>	1,507,649
<b>Current assets</b>		
Trading securities	11,899	8,940
Properties held for sale	10,727	10,727
Trade and other receivables	34,665	33,142
Deposits and cash	595,638	576,037
	<b>652,929</b>	628,846
<b>Current liabilities</b>		
Trade and other payables	6,955	6,940
Taxation payable	9,863	9,915
	<b>16,818</b>	16,855
<b>Net current assets</b>	<b>636,111</b>	611,991
<b>Total assets less current liabilities</b>	<b>2,142,180</b>	2,119,640
<b>Non-current liabilities</b>		
Amounts due to subsidiaries	40,195	87,811
<b>NET ASSETS</b>	<b>2,101,985</b>	2,031,829
<b>CAPITAL AND RESERVES</b>	24	
Share capital	498,305	498,305
Reserves	1,603,680	1,533,524
<b>TOTAL EQUITY</b>	<b>2,101,985</b>	2,031,829

Approved and authorised for issue by the board of directors on 25 March 2020.

**Ho Kian Guan**  
Executive Chairman

**Tse See Fan Paul**  
Executive Director

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

## 31 ULTIMATE CONTROLLING PARTY

As 31 December 2019, Kansas Holdings Limited and Goodland hold 30% and 28% respectively of the equity interest in the Company. The directors consider the ultimate controlling party of the Group to be KS Ocean Inc., which is incorporated in Republic of Liberia. This entity does not produce financial statements available for the public use.

## 32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Impact of the outbreak of novel coronavirus (COVID-19)

The outbreak of novel coronavirus (COVID-19) in January 2020 has evolved into a worldwide emergency, and has led to a significant disruption to global supply chains, as well as to international trade and tourism. These disruptions have inevitably posed a significant threat to the global economy in 2020. The duration and scope of these disruptions cannot be accurately assessed at this point in time. Suffice to say that a prolonged coronavirus crisis is likely to have a material impact on the performance of our hotel portfolio and our retail properties in Macau. Given the dynamic nature of these circumstances, the full financial impact could not be reasonably quantified at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

### (b) Acquisition of additional issued share capital of Chateau Ottawa

On 10 March 2020, KSB Enterprises Ltd. ("KSB"), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with one of the existing shareholders of Chateau Ottawa ("the Seller"), pursuant to which the Seller agreed to sell, and KSB agreed to purchase 35% of the entire issued share capital of Chateau Ottawa at the consideration of C\$11,165,000 (equivalent to approximately HK\$63,752,150) ("the Acquisition"). Upon the completion of the Acquisition, Chateau Ottawa remains an indirect non-wholly owned subsidiary of the Company while the Group's interest in Chateau Ottawa will increase to 85%. The Acquisition constituted a discloseable transaction under the Listing Rules. Details of the Acquisition were disclosed in the Company's announcement dated 10 March 2020 and the supplementary announcement dated 20 March 2020.

## 33 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.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	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.

## FIVE YEAR FINANCIAL SUMMARY

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Consolidated statement of profit or loss</b>					
Revenue	1,943,399	2,022,401	1,949,497	1,955,211	1,939,567
Profit before share of profits less losses of associates	39,405	329,098	202,237	393,830	411,526
Share of results of associates	5,682	6,833	11,115	18,912	10,647
Profit before taxation	45,087	335,931	213,352	412,742	422,173
Income tax	79,238	(19,428)	12,729	(102,665)	(96,417)
Profit for the year	124,325	316,503	226,081	310,077	325,756
<b>Attributable to:</b>					
Equity shareholders of the Company	5,516	196,579	131,005	225,345	228,972
Non-controlling interests	118,809	119,924	95,076	84,732	96,784
	124,325	316,503	226,081	310,077	325,756
<b>Consolidated statement of financial position</b>					
Investment properties, property, plant and equipment and land	3,950,958	4,042,213	3,992,876	4,136,771	4,162,746
Interest in associates	121,060	114,587	128,409	145,817	148,588
Other non-current assets	367,943	236,912	17,954	16,352	15,208
Current assets	2,392,160	2,210,090	2,356,059	2,360,404	2,223,382
	6,832,121	6,603,802	6,495,298	6,659,344	6,549,924
Share capital	498,305	498,305	498,305	498,305	498,305
Reserves	3,200,903	3,251,983	3,212,202	3,112,686	2,947,474
Non-controlling interests	678,464	669,928	678,571	659,163	659,661
Non-current liabilities	187,998	1,592,941	1,621,343	295,024	1,978,404
Current liabilities	2,266,451	590,645	484,877	2,094,166	466,080
	6,832,121	6,603,802	6,495,298	6,659,344	6,549,924
<b>Other data</b>					
Basic earnings per share (cents)	1.6	57.8	38.5	66.2	67.3
Dividends per share (cents)	8.0	16.0	15.0	15.0	15.0
Dividend cover (times)	0.2	3.6	2.6	4.4	4.5

# SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2019

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
<b>Properties classified as investment properties</b>					
Luso International Bank Building 1, 3 and 3A Rua Do Dr. Pedro Jose Lobo, Macau	100%	Office	40	30,264	Short lease
Ocean Plaza, I & II Ocean Gardens, Macau	70.61%	Commercial	47	94,525	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Office	19	49,703	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Car parks	206	N/A	Short lease
<b>Properties classified as hotel properties</b>					
Sheraton Ottawa Hotel Ottawa, Canada	50%	Hotel	236	193,408	Freehold
Delta Hotels by Marriott Toronto Airport & Conference Centre Toronto, Canada	25%	Hotel	433	450,000	Freehold
Caravelle Hotel Ho Chi Minh City, Vietnam	24.99%	Hotel	335	247,500	Medium lease
Holiday Inn Wuhan Riverside Wuhan, PRC	41.26%	Hotel	315	295,224	Medium lease
Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam	64.12%	Hotel	497	676,500	Medium lease
W San Francisco San Francisco, United States	100%	Hotel	404	289,418	Freehold
Sofitel New York New York, United States	100%	Hotel	398	294,000	Freehold
Best Western Hotel Fino Osaka Shinsaibashi Osaka, Japan	100%	Hotel	179	41,709	Freehold

## SCHEDULE OF PRINCIPAL PROPERTIES (continued)

At 31 December 2019

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
<b>Properties classified as properties held for sale</b>					
Ocean Industrial Centre Phase II Rua dos Pescadores, Macau	100%	Industrial	3	22,921	Short lease
Ocean Park 530 East Coast Road Singapore	100%	Residential	5	10,550	Freehold
Rose Court Ocean Gardens, Macau	70.61%	Residential	3	11,121	Short lease
Begonia Court Ocean Gardens, Macau	70.61%	Residential	4	10,548	Short lease
Orchid Court Ocean Gardens, Macau	70.61%	Residential	2	5,274	Short lease
Sakura Court Ocean Gardens, Macau	70.61%	Residential	23	85,261	Short lease
Lily Court Ocean Gardens, Macau	70.61%	Residential	28	51,008	Short lease
Aster Court Ocean Gardens, Macau	70.61%	Residential	40	113,200	Short lease
Bamboo Court Ocean Gardens, Macau	70.61%	Residential	40	113,200	Short lease
Ocean Gardens, Macau	70.61%	Car parks	743	N/A	Short lease
Keck Seng Industrial Building Avenida de Venceslau de Morais, Macau	100%	Car parks	3	N/A	Short lease



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019

## 二零一九年可持續發展工作及獎項

### Our Group Fight against COVID-19

我們集團對抗2019冠狀病毒



Holiday Inn Wuhan Riverside, China welcome medical support team from Jiangsu and Jiangxi  
中國武漢晴川假日酒店歡迎來自江蘇及江西省醫療支援隊伍下榻

### Hotels Light up to show support in COVID-19

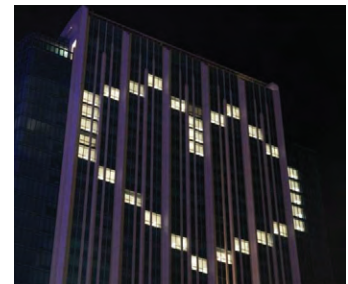
酒店亮燈以示支持抗擊2019冠狀病毒



Sheraton Saigon Hotel and Towers puts on a smiling face  
西貢喜來登酒店送上微笑



W San Francisco opens its heart of love  
三藩市W酒店打開愛心





# SUSTAINABILITY EFFORTS AND AWARDS IN 2019

## 二零一九年可持續發展工作及獎項

### Our Properties 我們集團的物業



Sheraton Saigon Hotel & Towers, Vietnam  
越南胡志明市西貢喜來登酒店



Caravelle Saigon Hotel, Vietnam  
越南胡志明市帆船酒店



Holiday Inn Wuhan Riverside, China  
中國武漢晴川假日酒店



Best Western Osaka Hotel, Japan  
日本大阪心齋橋西佳酒店



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項 (續)

### Our Properties (continued)

#### 我們集團的物業 (續)



Sheraton Ottawa Hotel, Canada  
加拿大渥太華喜來登酒店



Delta Hotels by Marriott Toronto Airport & Conference Centre, Canada  
加拿大多倫多機場會議中心德爾塔萬豪酒店



Sofitel New York, USA  
美國紐約索菲特酒店



W Hotel San Francisco, USA  
美國三藩市W酒店



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項 (續)

### Our Properties (continued)

#### 我們集團的物業 (續)



Ocean Gardens  
海洋花園



Ocean Club  
海洋會所

### Sustainability Efforts and Awards

#### 可持續發展工作及獎項

Ocean Gardens 海洋花園



Building Water Quality Assurance Program – High Level Certificate  
樓宇安心用水計劃 – 高級證書



Earth Hour 2019  
二零一九年地球一小時

# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項(續)

Sheraton Saigon Hotel & Towers, Vietnam 越南胡志明市西貢喜來登酒店



Run to Give  
慈善樂跑



Visited Center of Disabled Children Education District  
探望殘疾兒童教育中心

Caravelle Saigon Hotel, Vietnam 越南胡志明市帆船酒店



Best Green Business Award from the European Chamber of Commerce 2019  
獲歐盟商會授予二零一九年最佳綠色企業獎



Build Bridge in My Thanh Dong Ward  
My Thanh Dong Ward 築橋



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項(續)

Holiday Inn Wuhan Riverside, China 中國武漢晴川假日酒店



Healthy Walk  
健康徒步



Social Welfare Institution Visit  
探望社會福利院



Organize Sharing Bike  
整理共享自行車



Badminton Day  
羽毛球日



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項(續)

Sofitel New York, USA 美國紐約索菲特酒店



AIDS Walk 2019  
二零一九年愛滋病步行日



The Bowery Mission



Earth Day  
世界地球日

W Hotel San Francisco, USA 美國三藩市W酒店



Yerba Buena Clean Team  
Yerba Buena清潔團隊



LEED Platinum Level  
LEED白金級



California Green Lodging Program –  
Environmentalist Award 2019  
加州綠色住宿項目 – 二零一九年環保獎



# SUSTAINABILITY EFFORTS AND AWARDS IN 2019 (continued)

## 二零一九年可持續發展工作及獎項(續)

Sheraton Ottawa Hotel, Canada 加拿大渥太華喜來登酒店



Flood Relief Donations 2019  
二零一九年洪災捐贈



Jeans Day 2019 – Raising money for CHEO  
二零一九年牛仔褲日 – 為CHEO籌款



Root Beer Float Day to Raise Money for CHEO  
漂浮啤酒日 – 為CHEO籌款



Pop Tabs – Wheelchairs for Kids  
Pop Tab – 兒童輪椅

Delta Hotels by Marriott Toronto Airport & Conference Centre, Canada  
加拿大多倫多機場會議中心德爾塔萬豪酒店



Participated in Marriott Big Bike in Support of Heart & Stroke  
參與Marriott Big Bike支持Heart & Stroke

