

**KW** 嘉華國際集團有限公司

K. WAH INTERNATIONAL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

Stock code 股份代號 0173 | Annual Report 2015 年報

REACHING  
NEW HEIGHTS  
THROUGH  
EXCELLENCE  
AND QUALITY  
品精質優 續創豐年



# Contents



The Spectra, Hong Kong

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# Our Mission

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with superior return on their investment.







## Corporate Profile

K. Wah International Holdings Limited (“KWIH” or “the Group”, stock code: 0173) is the listed property arm of K. Wah Group. With a strong foothold established in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of residential developments, Grade A office towers, hotels, serviced apartments and retail complexes are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Sharing the common vision of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers’ needs and creating added value in the projects we undertake as a premiere brand.

Taking pride in our track record and strong financial capability, guided by the spirit of prudence and excellence, we will continue to adopt a progressive strategy with a disciplined approach in land acquisition, striving for setting ever higher standards of quality living spaces and delivering long term shareholder value.



Grand Summit, Shanghai

# Hall of Achievement

## K. Wah International Holdings Limited

Best Developer (China) Award — China Property Awards 2015

Honours, Real Estate Integrated Development and Investment Category — 2015 International ARC Awards

Best Branding Award 2015, The Fourth China Finance Summit

Outstanding Social Caring Organization Award by Social Enterprise Research Institute

The Fourth Outstanding Corporate Social Responsibility Award by *The Mirror Post*

Best CFO in Hong Kong in Asia's Best Companies 2015 Poll by *FinanceAsia* — Herbert Hui

Top Ten Developers Award 2015 — Hong Kong by BCI Asia

My Favorite Manpower Developer by Employees Retraining Board

## Twin Peaks, Hong Kong

The Landmark Residential Development Award and Innovative Social Media Marketing Planning Award — The Outstanding Developer Awards by *Capital*



**Grand Summit, Shanghai**

The Most Valuable Luxury Property — 2015 China Valuable Real Estate Awards by *National Business Daily*

2015 Most Influential Property by *Dong Fang Daily* and *The Paper*

2015 Iconic Property by House.QQ.com and Sh.qq.com

Best Eco-friendly Community of Shanghai 2015 by Shanghai Municipal Housing Authority

Best Furnished Property Project in Shanghai 2014

**Stanford Residences Jing An, Shanghai**

2015 Best of Shanghai Awards — Best Located Serviced Apartment by *That's Shanghai*

Best Serviced Apartment — Readers' Choice by *TimeOut Shanghai*

Best Social Media Operation Award by LinkedIn

Second Runner Up in Best Overall and Winner in Best Interior Decoration, Best Serviced Apartment — 2015 Luxury Homes of China by *City Weekend*

Best Serviced Apartment Operator — 2015 Top Travel Ceremony by *Top Travel*

**J Metropolis, Guangzhou**

Residential Community (Building) Award by Guangzhou Property Management Association





# Financial Calendar

DATES	EVENTS
25 August 2015	Announcement of Interim Results for the six months ended 30 June 2015
20 October 2015	Payment of 2015 Interim Scrip Dividend (with a cash option) of 5 HK cents per share
23 March 2016	Announcement of Annual Results for the year ended 31 December 2015
25 May 2016 to 30 May 2016 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2016 Annual General Meeting
30 May 2016	2016 Annual General Meeting
7 June 2016 to 10 June 2016 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2015 Final Dividend
10 June 2016	Record Date for 2015 Final Dividend
13 July 2016	Payment of 2015 Final Scrip Dividend (with a cash option) of 12 HK cents per share

# Corporate Information

## CHAIRMAN & MANAGING DIRECTOR

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

## EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung  
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*  
Mr. Alexander Lui Yiu Wah

## NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, *GBS, LLD, JP*  
Dr. William Yip Shue Lam, *LLD*  
Mr. Au Man Chu  
Mr. Wong Kwai Lam

## AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*  
Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*  
Mr. Au Man Chu

## REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*  
Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*  
Mr. Wong Kwai Lam

## NOMINATION COMMITTEE

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA (Chairman)*  
Dr. William Yip Shue Lam, *LLD*  
Mr. Wong Kwai Lam

## COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan

## INDEPENDENT AUDITOR

PricewaterhouseCoopers

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, K. Wah Centre  
191 Java Road  
North Point, Hong Kong

## PRINCIPAL BANKERS\*

Bank of China  
China Construction Bank, Asia  
DBS Bank  
Hang Seng Bank  
Hongkong and Shanghai Banking Corporation  
Sumitomo Mitsui Banking Corporation  
United Overseas Bank

## SOLICITORS\*

Baker & McKenzie  
Mayer Brown JSM  
P.C. Woo & Co.  
Philip K.H. Wong, Kennedy Y.H. Wong & Co.  
Wilkinson & Grist

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## WEBSITE ADDRESS

<http://www.kwih.com>

## SHARE LISTING

The Stock Exchange of Hong Kong Limited  
("HK Stock Exchange")

## STOCK CODE

HK Stock Exchange : 00173  
Bloomberg : 173 HK  
Reuters : 0173.HK

\* Listed in alphabetical order

# Five Years Summary

## CONSOLIDATED PROFIT AND LOSS STATEMENT

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	3,196,361	3,346,477	7,288,415	2,393,967	<b>4,720,487</b>
Profit before tax	1,825,726	5,105,421	3,003,950	2,707,293	<b>2,815,345</b>
Taxation charge	(543,289)	(733,130)	(1,301,940)	(815,250)	<b>(1,368,223)</b>
Profit for the year	1,282,437	4,372,291	1,702,010	1,892,043	<b>1,447,122</b>
Non-controlling interests	(38,923)	(72,112)	(55,237)	(62,083)	<b>(80,368)</b>
Profit attributable to equity holders of the Company	1,243,514	4,300,179	1,646,773	1,829,960	<b>1,366,754</b>
Earnings per share (HK cents)	48.3	163.4	60.9	65.7	<b>48.1</b>
Dividend per share (HK cents)	10.0	15.0	15.0	15.0	<b>17.0</b>

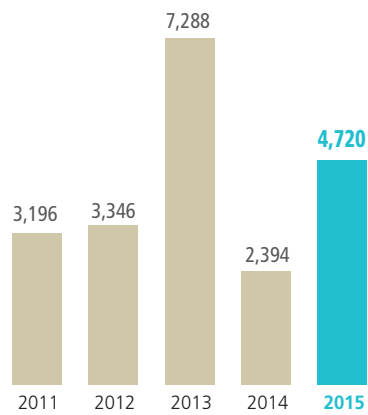
## CONSOLIDATED BALANCE SHEET

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Non-current assets	5,218,133	5,579,639	5,798,339	8,735,721	<b>8,446,513</b>
Associated companies and joint ventures	3,986,234	4,276,383	4,550,280	3,452,498	<b>1,347,748</b>
Other non-current assets/investments	2,417,304	4,924,835	11,329,422	7,145,083	<b>4,059,194</b>
Net current assets	8,484,564	15,184,661	15,619,295	24,934,237	<b>23,270,988</b>
Employment of capital	20,106,235	29,965,518	37,297,336	44,267,539	<b>37,124,443</b>
Financed by:					
Share capital	257,690	263,379	271,215	278,715	<b>283,959</b>
Reserves	12,491,475	19,093,656	27,347,538	24,866,467	<b>21,541,214</b>
Shareholders' funds	12,749,165	19,357,035	27,618,753	25,145,182	<b>21,825,173</b>
Non-controlling interests	996,486	1,052,460	1,475,193	1,545,781	<b>1,511,587</b>
Long-term borrowings and guaranteed notes	5,448,377	8,412,763	6,978,267	15,947,623	<b>12,124,823</b>
Other non-current liabilities	912,207	1,143,260	1,225,123	1,628,953	<b>1,662,860</b>
Capital employed	20,106,235	29,965,518	37,297,336	44,267,539	<b>37,124,443</b>
Net assets value per share (HK\$)	4.95	7.35	10.18	9.02	<b>7.69</b>



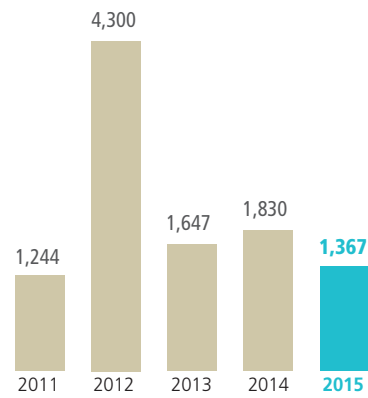
### Revenue

(HK\$Million)



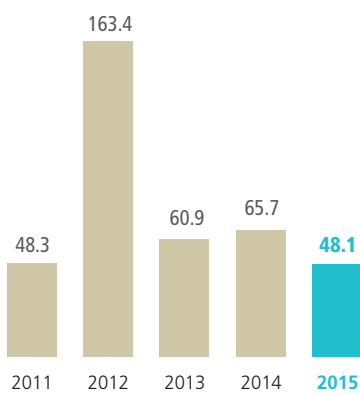
### Profit Attributable to Equity Holders of the Company

(HK\$Million)



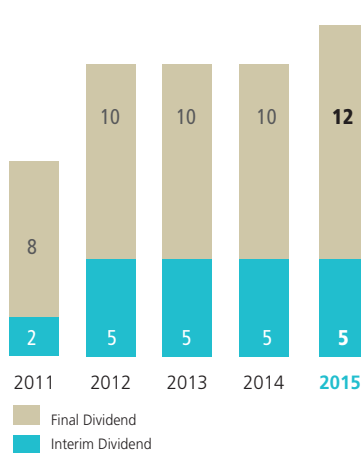
### Earnings Per Share

(HK Cents)



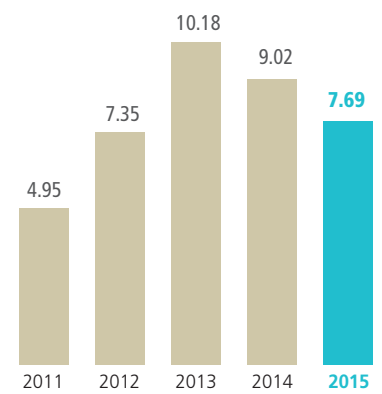
### Dividend Per Share

(HK Cents)

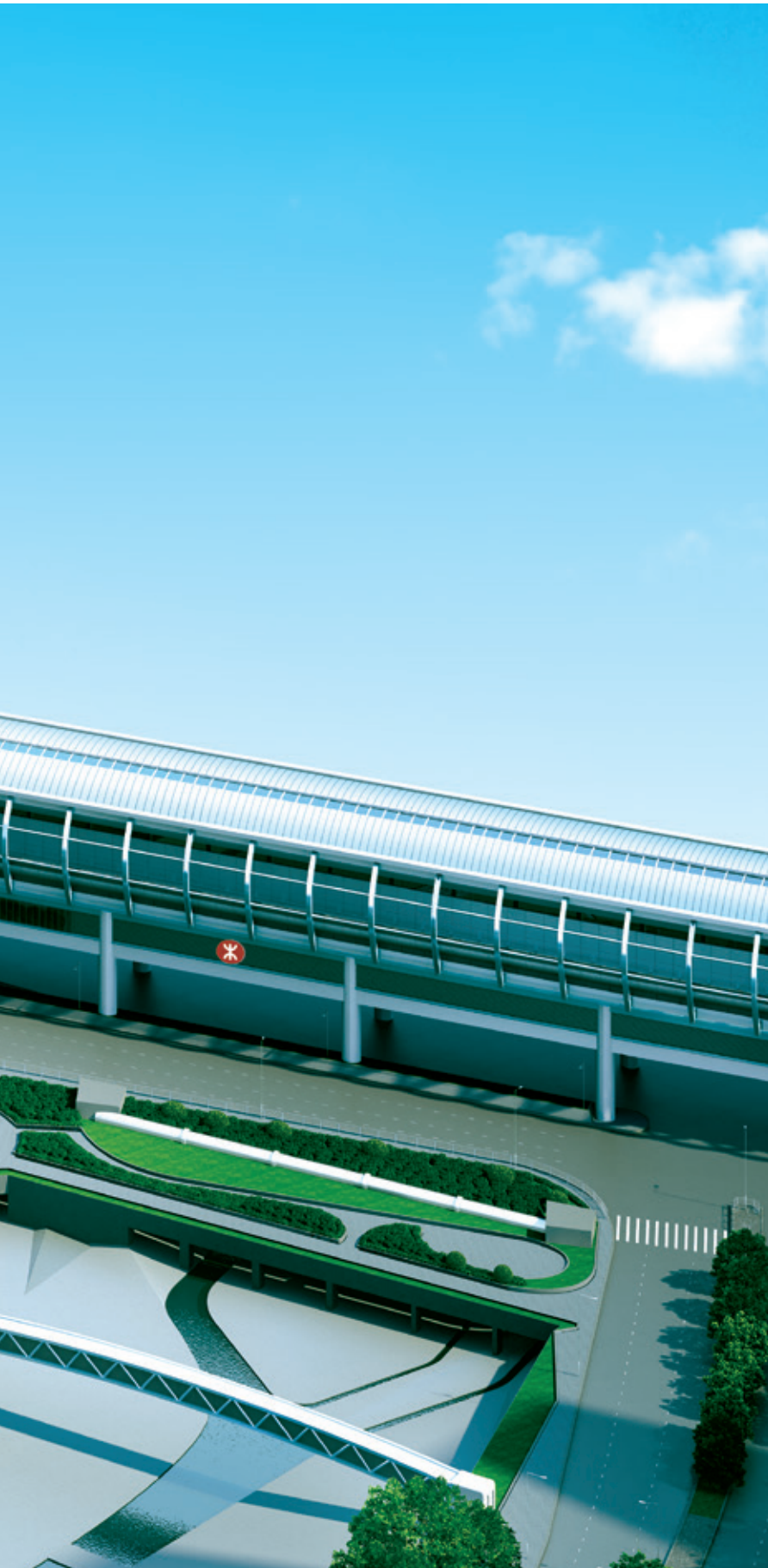


### Net Assets Value Per Share

(HK\$)







# The Spectra



# Statement from the Chairman

Dear Shareholders,

**2015 has been a year of harvest for K. Wah International. Our commitment to developing premium niche properties, coupled with proven experience and strengths built over the years, contributed to outstanding sales results in Hong Kong and Mainland China. Attributable contracted sales tripled to a record HK\$13.5 billion, of which HK\$5.0 billion had been recognized in the year, while the remaining HK\$8.5 billion will be booked over the next two years to provide a solid foundation for future profitability.**

**The Group's attributable revenue for 2015 amounted to HK\$6,436 million, while profit attributable to equity holders amounted to HK\$1,367 million. Core profit soared by 95% to HK\$1,317 million. Our Board recommended a final dividend of 12 HK cents per share. Together with the interim dividend of 5 HK cents per share, total dividend for the year amounted to 17 HK cents per share, representing a 13% growth over the previous year.**

## RECORD BREAKING SALES UNDERPINNED BY CONTINUOUS ASSET TURNOVER

During the year under review, demand remained buoyant for premium properties, particularly small- to medium-sized residential units, in Hong Kong despite a volatile local property market. The Group seized the opportunity to launch Twin Peaks and Corinthia By The Sea, two railway-linked property projects in Tseung Kwan O South. Thanks to their excellent geographic locations and superb quality, both developments received overwhelming response from buyers with 90% of the units sold within one month upon launch and are nearly sold out at present, making significant contributions to the Group's future bookings.

In Mainland China, property market sentiment was picking up during the year amid the relaxing property market policies and economic stimulus measures such as the lowering of interest rates and bank reserve ratios. In particular, tier-one cities were the major beneficiaries of such policies and measures given their strong underlying demand for residential properties. Supported by a well-planned strategy, the Group's timely launches in Shanghai and Guangzhou were



well-received by the market. In Shanghai, for instance, Grand Summit in Jingan District and The Palace II in Xuhui District — two luxury projects at the city centre — ranked among the top in Shanghai's high-end property market sales. In Guangzhou, the Group launched three new projects, including J Wings in central Huadu and Phases 2 and 3 of J Metropolis, a mega-sized community in Huadu. All of them recorded encouraging sales with over 1,000 units sold in total during the year.

## GROWTH IN RENTAL INCOME COMPLEMENTED BY FURTHER GFA EXPANSION

The Group's recurring income portfolio had been expanding as Stanford Residences Jing An in Grand Summit, Shanghai, came into operation during the year. Since its launch, nearly half of Stanford Residences' 114 units have been leased to high-quality tenants including senior executives of multinational corporations and finance professional. During the year, the project had earned a number of prestigious

accolades such as “Best Located Serviced Apartment in Shanghai” and “Best Serviced Apartment — Readers’ Choice”. Together with the Group’s existing property portfolio principally made up of Shanghai K. Wah Centre, our recurring income has increased by 7% to HK\$457 million. The Group will continue to expand the recurring income portfolio by increasing the GFA from 130,000 sqm to 200,000 sqm in about two years to further improve its stable income and cash flow.

### **MOMENTUM TO SUSTAIN WITH SEVEN NEW PROJECTS MARKETED**

While there are uncertainties in the global economy, the Group expects the Mainland market, especially tier-one cities, to continue to benefit from the relaxation policies in property market. The Group plans to launch seven new premium residential projects in Hong Kong and Mainland China to sustain the momentum on the back of excellent sales over the year. In Hong Kong, The Spectra, adjacent to Long Ping MTR Station, generated satisfactory sales since its debut, while Kai Tak Development Area project in the centre of Kowloon East will also be marketed by the end of this year. The two new projects offer a total of 1,800 units. In the Yangtze River Delta region, riding on the outstanding sales of Shanghai’s premium luxury properties Grand Summit and The Palace II, the Group will launch The Palace III in Xuhui District, Puxing project in Jinqiao, Pudong District, Shanghai and Maigao Qiao project in Qixia District, Nanjing. In the Pearl River Delta region, Phase 4 of J Metropolis in Guangzhou and Phase 3 of Silver Cove in Dongguan will also come on stage, while the sales of J Wings in Guangzhou will continue this year.

### **SOLID FINANCIALS WITH STRONG LIQUIDITY**

The Group’s financial conditions remained solid with gearing ratio lowered to 35% and available funds amounting to HK\$12.6 billion as at the end of 2015 thanks to strong cash inflow from project sales. During the year, the Group entered into a 4-year and 5-year syndicated loan of HK\$3.3 billion with 11 banks. Ahead of the lift-off of US interest rate hike cycle, the Group had paid down debts to lower interest expenses.

### **LAND REPLENISHMENT TO FUEL LONG-TERM DEVELOPMENT**

KWIH replenished its land bank by leveraging its financial strengths. Last September, the Group acquired Tai Po Town Lot No. 226 for HK\$3 billion. Located in Pak Shek Kok, the site holds out enormous potential as it forms a maturing community together with a number of the Group’s joint venture projects in the vicinity. Looking ahead, the Group will continue to seek quality projects prudently in Hong Kong and Shanghai to sustain its long-term business development.

### **EXEMPLARY CORPORATE GOVERNANCE**

We firmly believe that sound corporate governance is essential to high-standard business operations. Hence, the Group places a strong emphasis in maintaining a holistic range of governance. In addition to stringent management systems and adherence to business ethics, the Group draws the rich experience of its Board members who spare no efforts in advising on relevant policies and providing stewardship in business operations and finance so as to safeguard the best interest of our shareholders.

Professor Poon Chung Kwong resigned as an independent non-executive Director on 31 July 2015. On behalf of the Group, I would like to express my sincere gratitude to Professor Poon for his dedication and contributions to the Group’s governance and major decisions over the years.

The Group’s excellent performance over the year also came as a result of the concerted efforts of all employees. On behalf of the Board of Directors, I would like to express my heartiest appreciation to all the management and staff, and look forward to another year of stellar results through their relentless endeavours.

**Dr Lui Che-woo**  
*Chairman*

23 March 2016









# The Palace



# Management Discussion and Analysis

## REVIEW OF OPERATIONS

The revenue of the Group for the year ended 31 December 2015 was HK\$4,720 million, which was primarily derived from the property sales of Grand Summit, Upstream Park in Shanghai and J Wings in Guangzhou, as well as from the rental income of the Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$1,716 million) was HK\$6,436 million in 2015, representing an increase of approximately 129% as compared with the year before.

Attributable Contracted Sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2015 amounted to approximately HK\$13.5 billion, mainly derived from Grand Summit, Upstream Park and The Palace Phase II in Shanghai, J Wings and J Metropolis Phases II&III in Guangzhou and Twin Peaks, as well as joint venture projects in Hong Kong. Approximately HK\$5 billion of the above Attributable Contracted Sales of the Group was recognised in the accounts in 2015. The remaining HK\$8.5 billion is expected to be recognised in 2016 and 2017.

Profit attributable to equity holders of the Company was HK\$1,367 million, while underlying profit of the Group (before fair value gain of investment properties) was HK\$1,317 million for the year ended 31 December 2015.

The total comprehensive loss attributable to equity holders of the Company was HK\$3,091 million for the year ended 31 December 2015. The total comprehensive loss came mainly from the decrease in fair value of HK\$3,128 million on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited, which was recorded at the price of HK\$24.5 per share on 31 December 2015 (HK\$43.7 per share on 31 December 2014).

## PROPERTY DEVELOPMENT AND INVESTMENT

### Hong Kong

Mass-market home prices and transaction volumes rose in the first half of 2015 as a result of pent-up end-user-demand for small- to medium-sized units. However, market sentiment in the second half turned amid the volatility in stock markets, an increase in US interest rates, and uncertainties in the economic outlook.

The Group took advantage of a favourable market window in the first half of 2015 to pre-sell Twin Peaks and Corinthia By The Sea in Tseung Kwan O. Market response to these projects was overwhelming, with over 90% of the residential units sold within a short period of time. The occupation permit for our joint venture project of Mayfair By The Sea I was obtained in June 2015, and thus the presale result for this project was wholly recognised in the first half of 2015. The Group's other joint venture projects, Providence Peak and Providence Bay, concluded sales for the year.

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2015</b>						
Revenue	920	4,262,982	—	351,081	105,504	4,720,487
Adjusted EBITDA	17,543	2,519,652	(3,169)	324,875	(221,357)	2,637,544
Total assets	14,538,477	19,169,155	311,183	7,976,587	4,568,242	46,563,644
<b>2014</b>						
Revenue	295,029	1,673,238	—	315,276	110,424	2,393,967
Adjusted EBITDA	180,478	733,808	(3,575)	290,996	(191,710)	1,009,997
Total assets	14,351,152	18,906,429	333,099	8,470,559	8,108,857	50,170,096

## Revenue by Division

For the year ended 31 December 2015  
(HK\$'000)



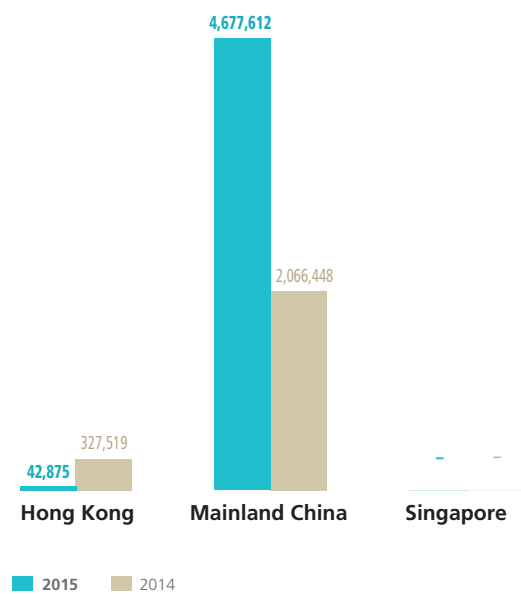
## Total Assets by Division

As at 31 December 2015  
(HK\$'000)



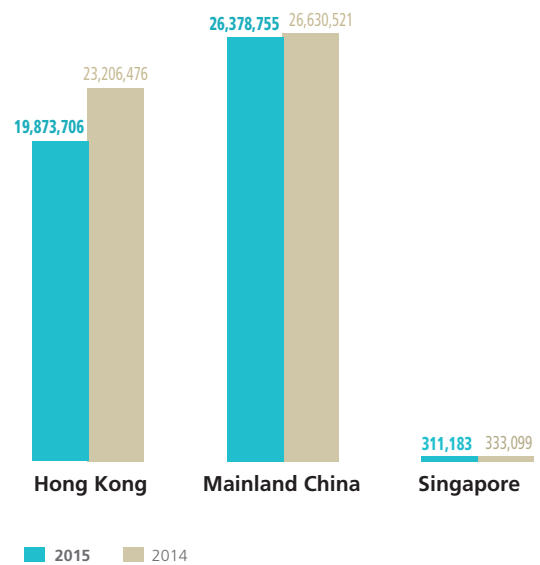
## Revenue by Geographical Area

For the year ended 31 December 2015  
(HK\$'000)



## Total Assets by Geographical Area

As at 31 December 2015  
(HK\$'000)



## Management Discussion and Analysis



In September, the Group successfully acquired a new site at Tai Po for a total land premium of HK\$3,030 million.

The Group's leasing performance remained stable during the year. Our premium dining and shopping arcade, J SENSES in Wan Chai, continued to maintain full occupancy and brought in a satisfactory rental income.

Most of our property development projects in Hong Kong were either under construction or in development during the year, and these projects all progressed in accordance with their schedules.

### (A) Current Major Development Properties

#### (i) *Twin Peaks, Tseung Kwan O (100% owned)*

This project is a premium residential development comprised of 372 small- to medium-sized units with a total GFA of approximately 28,000 square metres. Pre-sales began in March 2015 with encouraging market response. Almost all of the residential units have been sold. Superstructure works are underway, and the project is expected to be completed by the end of 2016.

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

This is a premium residential complex that is being carried out with another property developer. The development offers 536 units with a total GFA of approximately 45,000 square metres. Pre-sales began in June 2015, and almost all of the residential units have been

sold. Superstructure works are underway with completion expected before the end of 2016.

#### (iii) *The Spectra, Yuen Long (60% owned)*

This premium residential development has been undertaken together with another property developer. The total GFA is approximately 49,000 square metres comprising 912 units. Pre-sales began in March 2016. Superstructure works are underway, and the project is expected to be completed in 2018.

#### (iv) *New Kowloon Inland Lot No. 6526, Kai Tak Area 1I Site 2 (100% owned)*

This site is located in the heart of the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link railway expansion. With a total GFA of approximately 51,000 square metres, foundation works are in progress with completion expected by 2018.

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

This exclusive low-rise luxury residential project has a total GFA of approximately 8,100 square metres. The complex is comprised of 24 luxury apartments located in a 12-storey building. As well, the project includes an exclusive clubhouse and a swimming pool. The project is complete, and approximately 40% of the residential units have been sold.



The Spectra, Hong Kong

**(vi) *Marinella, Aberdeen, Hong Kong (35% owned)***

Marinella is a luxury residential development with a total GFA of approximately 69,300 square metres and 411 units. The development was built in cooperation with other property developers, for which the Group acted as lead partner and project manager. The development is complete, with over 95% of the residential units have been sold.

**(vii) *Providence Bay, Tai Po (15% owned)***

This luxury residential development, which has a total GFA of approximately 78,400 square metres and 482 units, was undertaken in collaboration with other property developers. The development is complete, and over 85% of the residential units have been sold.

**(viii) *Providence Peak, Tai Po (25% owned)***

This luxury residential complex was developed in cooperation with other developers. With a total GFA of approximately 83,600 square metres and 548 units, the development is complete, and over 90% of the residential units have been sold.

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

This luxury residential development with a total GFA of approximately 67,000 square metres and 546 units, was undertaken in association with another property developer. Pre-sales began in 2014, and the development was completed following the occupation permit obtained in June 2015. Over 90% of the residential units have been sold.

**(x) *2 Grampian Road, Kowloon (100% owned)***

The Group plans to develop this project into a premium residential development with a total GFA of approximately 3,200 square metres. Foundation works have been completed, and the project has a targeted completion date of 2018.

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

This is a luxury residential development undertaken in cooperation with another property developer. The total completed GFA will be approximately 3,700 square metres. Planning and design work is currently in progress.

**(xii) *Tai Po Town Lot No. 226 (100% owned)***

This newly acquired site, with a GFA of approximately 61,600 square metres, is located in close proximity to our joint venture projects of Providence Bay, Providence Peak and Mayfair By The Sea I. The entire area is a fast maturing community with good potential. Planning and design work will commence soon.

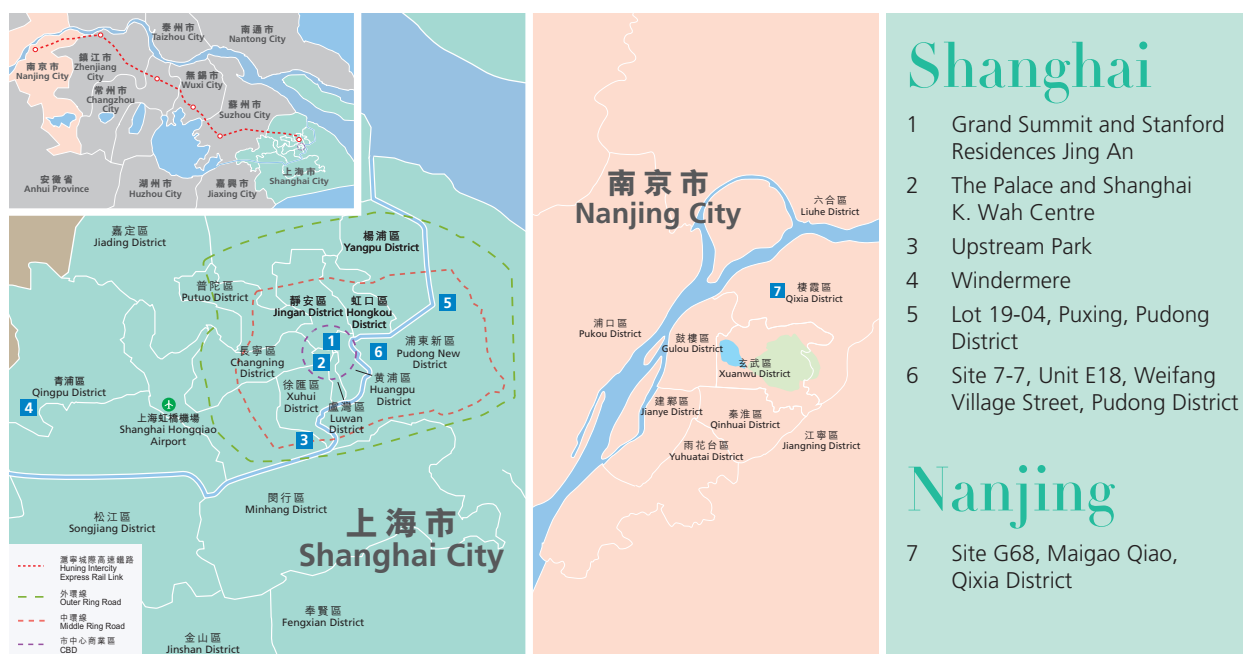
**(B) *Other properties in Hong Kong***

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

With a GFA of approximately 3,400 square metres, J SENSES is a premium dining and shopping arcade located in the heart of Hong Kong Island. It is fully occupied and continues to deliver stable rental income for the Group.



## Management Discussion and Analysis



### Mainland China

The property market in Mainland China held up in 2015 with the first tier cities benefiting most in both price and volume terms from the relaxation in downpayment requirements and more balanced supply and demand situation, as compared with the second and third tier cities.

During the year, the Group continued to market the remaining units of Grand Summit, The Palace and Upstream Park in Shanghai, J Metropolis in Guangzhou and The Summit in Jiangmen. We also launched three new projects during the year, namely, The Palace Phase II in Shanghai, J Metropolis Phases II&III and J Wings in Guangzhou. All three projects received a good response in the market with encouraging sales. With the completion of the J Wings project, the pre-sale result was recognised in 2015.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of over 90% during the year.

#### (A) Current Major Development Properties Shanghai and Nanjing

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

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this exclusive luxurious residential project has a total GFA of approximately 100,000 square metres offering 273 residential units and 113 units allocated as serviced apartments under the name of Stanford Residences. Grand Summit went on sale in

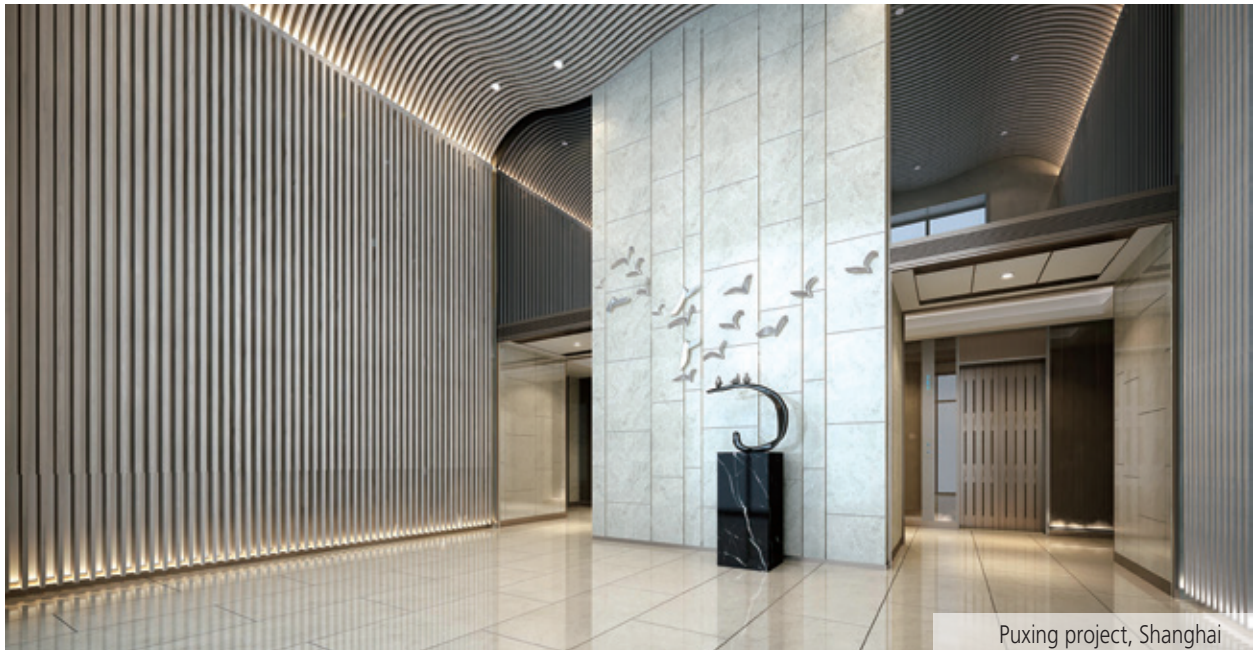
September 2014, market response has been encouraging with satisfactory sales prices and volumes. The project is complete, and over 65% of the residential units have been sold.

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

This unique luxury development is located in an affluent, traditionally residential area of Shanghai. The total GFA of this project is approximately 140,000 square metres, featuring 14 blocks of luxury residential buildings and upscale commercial facilities. The first phase of the project, covering approximately 36,000 square metres GFA, has been completed and over 95% of the units have been sold. The second phase of the project, covering approximately 35,000 square metres GFA, began its pre-sales in May 2015 and was well received by the market with over 70% of those units have been sold. The balance of the units is comprised of approximately 69,000 square metres, of which approximately 26,000 square metres will be retained as serviced apartments. The development has an expected completion date in 2017.

##### (iii) Upstream Park, Minhang District (100% owned)

Located in Wujing, Minhang District, this project has been developed into an integrated residential and commercial complex, with a total GFA of approximately 172,000 square metres comprised of 1,504 units. The project is complete, and around 95% of the units have been sold.



Puxing project, Shanghai

**(iv) Windermere, Qingpu District (100% owned)**

Located in Zhujiajiao Town in Qingpu District, the development is comprised of low-rise residential buildings with ancillary commercial facilities offering 256 units and a total GFA of approximately 71,000 square metres. The project was completed in 2014, and sales of this project will commence at an opportune time.

**(v) Lot 19-04, Puxing, Pudong District (100% owned)**

This project is located in Puxing of Pudong District and has a total GFA of approximately 31,000 square metres. It is within a well-developed residential area that offers good transportation links to the Pudong CBD. Superstructure works are currently underway, and the project is expected to be completed in 2017.

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

This project is located by the Huangpu River in Pudong, with a total GFA of approximately 14,200 square metres. It is situated in a prime location between the Lujiazui Financial Centre and the convention, exhibition and business zone of the World Expo headquarters. The project is in the planning and design stage and is expected to reach completion in 2019.

**(vii) Site G68, Maigao Qiao, Qixia District, Nanjing (100% owned)**

This project covering a total GFA of approximately 142,800 square metres is located in a well-developed community with a wide range of facilities. Due to its elevated position, the location enjoys panoramic views. Foundation works are underway, and construction is due to be completed in 2017.

**Guangzhou and Dongguan**

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

This site is close to the New Baiyun International Airport and has a total GFA of approximately 225,000 square metres. The project is a composite development with a hotel, office space and premium residential towers. The first phase of the project, covering approximately 45,000 square metres GFA, has been completed and includes the hotel and an office tower. The second phase, J Wings, has a GFA of approximately 99,000 square metres and is slated for residential development. The pre-sales for J Wings began in March 2015 and construction was completed in the same year. Market response has been encouraging, and over 65% of the units have been sold. The final phase is currently in the planning stage.

## Management Discussion and Analysis



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

Located in the downtown area of Huadu, this residential development covers a total GFA of approximately 46,000 square metres and is about a 20-minute drive from the New Baiyun International Airport. The project is complete and over half of the residential units have been sold.

(x) **J Metropolis, Xinhuzhen, Huadu District, Guangzhou (99% owned)**

J Metropolis is only one step away from Baiyun District and poised to benefit from the build up of new transportation network. The total GFA of this project is approximately 793,000 square metres with development to be undertaken in phases. The first phase has a GFA of approximately 77,000 square metres offering a total of 564 units. Construction of Phase I is now complete, and over 80% of the residential units have been sold. The second and third phases, covering approximately 115,000 square metres, are under construction with a targeted completion set for 2016. Pre-sales started in the first half of 2015, and over 50% of the residential units have been sold. The fourth phase, covering approximately 34,000 square metres, is also under construction and has a targeted completion date of 2018.

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

Located in the Xihu Village of Shilong Town, this project has a total GFA of approximately 202,000 square metres. It enjoys an expansive

river frontage and is easily accessible by public transportation as it is next to the new Dongguan train station and Light Rail R2 Line terminus, with the access to the core district of Dongguan a mere 15-minute ride and Shenzhen less than 1-hour ride away. Pre-sales started in November 2014, and approximately 40% of the residential units have been sold. Superstructure works are underway on this residential development, and it is scheduled for completion in 2016.

(xii) **Silver Cove Phase III, Shilong Town, Dongguan (100% owned)**

This project, which is under construction with completion targeted by 2017, is located at Xihu Middle Road, Shilong, Dongguan. The project has a total GFA of 34,210 square metres. The Group plans to develop this site together with an adjacent site in (xi) above into a large-scale residential and commercial complex.

**(B) Investment Property**

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

This prime investment property with a total GFA of approximately 72,000 square metres continued to maintain a high occupancy rate throughout 2015, achieving a satisfactory rental income of the Group.

(ii) **Stanford Residences, Xinzha Road, Jingan District (100% owned)**

The Group is dedicated to creating a privileged residential lifestyle environment for customers in





Silver Cove, Dongguan

pursuit of high-end modern living. The Stanford Residences, our first serviced apartment project in Shanghai, is located within the Group's luxurious residential project, Grand Summit. With a total GFA of approximately 29,000 square metres, the development offers everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. The Stanford Residences offer a total of 113 units, mainly in 3-bedroom configurations, as well as duplexes and penthouses.

#### Investment in Galaxy Entertainment Group Limited ("GEG")

The Group maintains a non-current investment of 162 million shares, or an approximate 3.8% interest, in GEG carried at fair market value. As of 31 December 2015, the share price of GEG was HK\$24.5 compared with HK\$43.7 as of 31 December 2014. The decrease in fair value of approximately HK\$3,128 million was directly recorded as a decrease in reserve.

### OUTLOOK AND STRATEGY

#### Global and Asian economies

The US economy is continuing to grow, and the 2016 consensus forecasts a growth in US GDP at around 2.3%. Further interest rate hikes in the US are expected after the "lift off" in December 2015. It is anticipated that the pace of any increase in US interest rates will be subject to global economic development and to the volatility in the financial and commodity markets. The

Eurozone, however, continues to struggle to remain on its recovery course, and it is expected that Brexit will fuel further uncertainty in 2016.

Mainland China has been experiencing a phase of slower but more sustainable economic growth that is being termed the "new normal". Approximately 7% GDP growth was registered in 2015, and the government forecast is for 6.5–7% growth in 2016. Hong Kong SAR GDP is also forecasted to experience slower growth in 2016. With the trade, tourism and retail sectors continuing to face challenges in 2016, the government anticipates a growth rate of 1–2% in 2016 compared with approximately 2.4% in 2015.

#### The property market in Hong Kong SAR and the Mainland

Consumer demand in the small unit size segment of the Hong Kong SAR residential market exceeded expectations, and this segment of the market outperformed all others in the first half of 2015. The overall residential market price ended the year up marginally despite gains of approximately 10% achieved in the first three quarters of 2015. The performance can be attributed to volatility in the stock market and in Renminbi commencing in the third quarter of 2015, and the December 2015 hike in US interest rates.

Generally speaking, the residential property market on the Mainland remained solid throughout 2015 with first tier cities performing strongly as supported by

## Management Discussion and Analysis

sound fundamentals and government policy. In 2015, Shanghai experienced a close to 20% price increase in residential property values and over a 50% increase in the GFA sold in the primary residential market. As mentioned, this growth was largely attributable to government policy support such as the 30 March 2015 announcement that lower down payments would be accepted, along with monetary easing in the form of five cuts in both interest rates and banks' reserve requirements.

De-stocking in the residential markets will be a key government policy objective in 2016, but it is expected to have much less impact on tier one cities such as Shanghai and Guangzhou in which we operate. Favourable policies affecting the customers such as lower down payments and reduced taxes were announced in the first two months of 2016. These policies are expected to strengthen and support the Mainland residential real estate market this year.

### Project sales and progress

#### *Hong Kong SAR*

In Hong Kong, the Group has recently obtained pre-sale consent for the launch of The Spectra, located adjacent to Long Ping MTR Station and 60% owned by the Group. Pre-sales began in March 2016, but sales results are expected to be recognised in 2018.

During 2016, we will continue to market available units in Chantilly and Twin Peaks, as well as our joint venture projects Marinella, Providence Bay, Providence Peak, Mayfair By The Sea I and Corinthia By The Sea.

Depending on project progress, the Group also plans to launch the Kai Tak project toward the end of 2016 or early 2017. For this project, it is expected that the sales results will not be recognised until 2018.

#### *Yangtze River Delta*

In Shanghai, we will continue to market the available units in Grand Summit, The Palace Phase II and Upstream Park. In the second half of 2016, depending on project progress, we will launch the Pudong Puxing project and The Palace Phase III project in Shanghai, and the Maigaoqiao project in Nanjing. These new launch sales results, along with the results of The Palace Phase II, are not expected to be recognised until 2017.

#### *Pearl River Delta*

In Guangzhou, we will continue to sell the available units in Le Palais, The J Wings, J Metropolis Phases I, II and III in Guangzhou and Silver Cove Phases I and II in Dongguan. Depending on project progress, we also

plan to launch J Metropolis Phase IV and Silver Cove III in the second half of 2016, but the sales results are not expected to be recognised until 2017.

#### *Land-bank replenishment*

We successfully won the tender for Tai Po Town Lot No. 226 in Hong Kong in September 2015 with a total land premium of HK\$3,030 million. We will continue to exercise discipline and sound judgment in our landbank replenishment programme to ensure our acquisitions are solid investments.

#### *Recurring income*

Our stated strategy has been to increase the recurring income of the Group, both to reduce earnings volatility and to underpin our annual dividend payments.

The serviced apartment Stanford Residences (Tower 3 of Grand Summit) in Shanghai commenced operation in 2015. This development has increased the GFA of the portfolio from 100,000 square metres to 130,000 square metres, an increase of approximately 30%.

The Palace, which is our other luxury development located in a prime Shanghai location, will have approximately 26,000 square metres converted into serviced apartments in 2017. We plan to increase the total GFA of the recurring income portfolio over the next two years or so up to around 200,000 square metres.

Finally, the dividend income derived from our approximate 3.8% interest in Galaxy Entertainment Group Limited will further augment our recurring income.

#### *Conclusion*

The global economy is expected to face several headwinds this year. The general slowdown in economic activity is expected to continue. Also, volatility in the financial, currency and commodity markets shows no sign of abatement. Despite the current correction in the Hong Kong property market and the lower forecasted GDP growth in Mainland China, the Group expects to proceed with the launch of the new projects as stated above. The strong underlying residential demand in the Hong Kong market and the recent announcement of various governmental support policies in Mainland China indicate to us that conditions are favourable in both markets for our continued sales activities. Additionally, we will look for new landbank opportunities, particularly in Hong Kong and Shanghai, and we will seek to secure these opportunities when they arise.

## REVIEW OF FINANCE

### Financial Position

The financial position of the Group remained healthy throughout the year. As of 31 December 2015, total funds employed (comprised of total equity and total borrowings and guaranteed notes) were HK\$36 billion (2014: HK\$44 billion). The number of issued shares of the Company increased to 2,839,597,270 as of 31 December 2015 (2014: 2,787,154,270) as a result of the issuance of a scrip dividend during the year.

### Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short- to medium-term basis, and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2015, the Group's borrowings of bank loans and guaranteed notes were HK\$12,585 million. The maturity profile is spread over a period of up to six years, with 4% repayable within one year and the remaining 96% repayable over one to six years. The average interest rate for the Group during the review year was approximately 2.8%.

In addition, the Group had available undrawn committed facilities totaling HK\$13,696 million comprising HK\$8,300 million for working capital and HK\$5,396 million for project facility purposes.

As of 31 December 2015, cash and bank deposits stood at HK\$4,337 million, and approximately 66% was held in Renminbi.

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, stayed at a satisfactory level of 35% as of 31 December 2015 (2014: 44%).

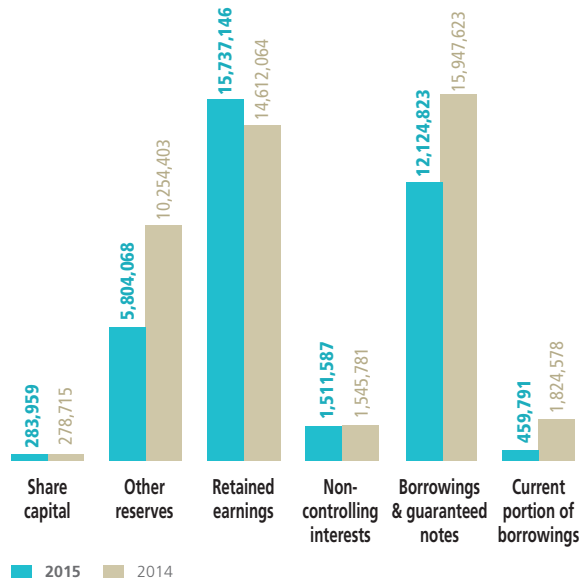
In March 2015, the Group successfully arranged a syndicated loan of HK\$3.3 billion with a well-diversified consortium of banks on favourable market terms. Part of the proceeds have been used for refinancing, while the remainder serves as general working capital to enhance the Group's liquidity.

### Treasury Policies

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

## Sources of Funding

As at 31 December 2015  
(HK\$'000)



Of the Group's bank loans and guaranteed notes of HK\$12,585 million as of 31 December 2015, approximately 93% was denominated in Hong Kong dollars after hedging, with the remainder in Renminbi. Approximately 72% of such borrowings and notes was on a floating rate basis, with the remainder on a fixed rate basis after hedging. In August 2015, the decision by China's central bank to reform the USD-RMB fixing mechanism led to greater volatility in the RMB exchange rate. The main effect of this volatility was reflected in the translation of the Group's RMB denominated net assets and trading results into Hong Kong dollars being the reporting currency of the Group.

For the year ended 31 December 2015, the re-translation of those net assets to Hong Kong dollars using exchange rate at the year-end date resulted in a translation charge of HK\$1.2 billion recorded in the exchange reserve. During 2015, an amount of approximately HK\$1.9 billion inter-company loans were repaid and remitted from Mainland China to Hong Kong. Consequently, the accumulated exchange gain amounted to approximately HK\$154 million arising from translation of such inter-company loans was transferred out of the exchange reserve and recognised in the consolidated profit and loss statement.



## Management Discussion and Analysis

### Charges on Group Assets

As of 31 December 2015, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$12,078 million (2014: HK\$20,028 million) to banks in order to secure the Group's borrowing facilities.

### Guarantees

As of 31 December 2015, the Company has executed guarantees in favour of banks and financial institutions with respect to facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK\$21,039 million (2014: HK\$23,346 million), HK\$117 million (2014: HK\$117 million) and HK\$nil (2014: HK\$1,000 million), of which facilities totaling HK\$8,902 million (2014: HK\$12,938 million), HK\$117 million (2014: HK\$117 million) and HK\$nil (2014: HK\$440 million) have been utilised respectively.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK\$564 million (2014: HK\$123 million) in relation to mortgage facilities granted by banks to the mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the HKSAR Government with respect to the performance obligation of an investee company under contract with the HKSAR Government.

## EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2015, the Group, excluding its associated companies and joint ventures, employs 938 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$331 million for the year under review.

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

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



## SUSTAINABLE DEVELOPMENT

Guided by the principles of sustainable development as well as our mission and values, the Group is committed to reducing our environmental impact, improving the safety and ambience of our workplace, whilst continuing to deliver quality properties.

Pivotal to our continued development and success is the well-being and prosperity of our employees. Through the provision of a harmonious and conducive work atmosphere, we hope to develop and retain talent capable of achieving tomorrow's needs, today.

The Group understands the value in creating a competent and capable workforce to rise up to this task. Through its training and development activities, the Group strives to instill the foresight and ability required in its human capital to continue to deliver high quality products and services in an ever changing and increasingly competitive landscape.

Health and safety is of utmost concern to the Group. The approach taken by the Group takes into consideration the security of its employees, contractors, and any others who may be affected by our operations. The Group goes well beyond minimum compliance, priding itself on the holistic approach it employs toward health and safety, promoting well-being and emphasizing proper nutrition, physical activity and stress management.

We are committed to improving the sustainability of our buildings, and are testing sustainable building materials and technologies at selected sites such as our award winning luxury development Marinella, which was awarded the Platinum Rating of Final Assessment

under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council in March 2014.

With a mission to deliver excellence through quality products and services the Group aims to understand our customers' motivations and attitudes, striving to satisfy their needs and expectations. As part of this continued service to our customers, we aim to create products that exemplify the highest standards of health and safety while being transparent and open within our advertising material.

The Group is committed to being a good corporate citizen. We seek to be a positive force in every community in which we operate, and pursue positive involvement through numerous channels. We recognize that when communities thrive then so does business. By working cooperatively with a number of community partners, we can have a tremendous impact on the sustainable development and vitality of communities in which we operate.

Volunteerism, philanthropy and community service is ingrained in the DNA of our organization. We use sponsorship and employee volunteering as vehicles to support various initiatives such as arts and culture, environmental protection and community work.

The Group undertakes to maintain a high level of transparency to and effective communication with investors. The Group organizes press conferences, site visits, roadshows and investor presentations from time to time, as well as takes part in major investor conferences and one-on-one meetings to maintain close liaison with investors, while information on the Group are also made available on our company website.



Grand Summit, Shanghai









# Marinella

# Management Chatroom



**1. The share price of KWIH is at a substantial discount to its NAV. What's the reason for that? Does the Group have any plans to narrow it? Will KWIH consider a share repurchase?**

All assets currently held by KWIH are of premium quality with a high degree of transparency, and are mostly located in first-tier cities of Hong Kong, Shanghai and Guangzhou. Projects launched, under development or planning have a total GFA of approximately 1.5 million sqm.

Share price discount is attributable to market situation. Currently, the discounts in the share prices of Hong Kong property developers are generally at historically high levels. The extent of discount is affected amongst other things by the proportion of recurring income properties, performance and stability of profit and dividend distribution, market capitalization and trading volume.

In terms of property development, the Group has invested more than HK\$13 billion to acquire 10 plots located in Hong Kong, the Yangtze River Delta and the Pearl River Delta regions since 2012, and has launched projects in Hong Kong and Mainland China to cater to different market demands.

We achieved a record attributable contracted sales of HK\$13.5 billion in 2015, of which HK\$5.0 billion had been recognized in the year, while the

remaining HK\$8.5 billion will be booked over the next two years, which will provide a solid foundation for future profit.

The Group's saleable property developments in 2016 have a total GFA of approximately 250,000 sqm, including seven new projects and new phases of existing projects in Hong Kong and Mainland China. These projects will be launched to further the Group's strategy of continuous asset turnover.

In terms of recurring income, the Group has increased its GFA from 100,000 sqm to 130,000 sqm over the past two years. We will continue to expand and further increase the GFA to 200,000 sqm in the next two years or so to enhance the Group's recurring income.

We are committed to enhancing shareholder value with an emphasis to increase NAV per share constantly.

The Group has no plans to repurchase shares in order that the funds could be invested in property projects for better returns. Moreover, repurchases by the Group will compromise the liquidity of its shares, which is not conducive to narrowing the discount to NAV.

**2. Can you comment on the dividend policy of the Group?**

The Group determines its dividend payments based on its profitability, cash flow, long-term development strategy and the competitiveness of its dividend level to the market.

KWIH continuously churns its development projects, while making an effort to increase stable income by expanding its recurring income portfolio.

The Group had maintained a stable dividend per share in the past few years and made an annual dividend payment of HK\$0.15 per share for three consecutive years since 2012. The payment increased to HK\$0.17 per share for 2015. While offering satisfactory return to shareholders, we are hopeful that these dividend payments can also help narrow the discount of our share price to NAV.

**3. KWIH holds approximately 3.8% shares in GEG (27.HK), which account for a significant portion of KWIH's total market capitalization. Inevitably, KWIH's share price is affected by movements in GEG's share price. What does the Group think about this? Will you consider disposal of the GEG shares?**

GEG is included in our balance sheet as non-current investment, which means the changes in its share price do not have an impact on the Group's profit and loss statement. The Group's net assets as at end-2015 were HK\$21.8 billion, in which our GEG shareholding, with approximately HK\$4.0 billion of market value, accounts for only approximately 18% of the net assets. In other words, the vast majority of our assets — development properties and recurring income portfolio — are related to our core business.

KWIH reported a record attributable contracted sales of HK\$13.5 billion in 2015, of which HK\$5.0 billion had been recognized in the year, while the remaining HK\$8.5 billion will be booked over the next two years, strengthening the Group's NAV gradually.

GEG is a premium asset for long-term investment. We are confident in its growth potential with its clear expansion plan. Moreover, GEG has been making dividend payments since 2014 which enhanced the Group's recurring income. Hence we have no plans to divest GEG at present.

**4. The exchange rates for Renminbi (RMB) went through some volatile periods last year. Given KWIH's significant asset exposure in the Mainland, how would its results be affected by RMB devaluation? And what's the plan of the Group to counter this?**

There is a natural hedge within the Group's business in Mainland China as both revenue and cost are

settled in RMB. Hence the volatility in RMB exchange rates does not have a significant impact on our daily operations.

Nevertheless, as the Group's accounts are denominated in HKD, the RMB-denominated assets need to be translated into HKD. In this context, the Group recorded a translation charge of HK\$1.2 billion for 2015, which was reflected in reserves in the balance sheet.

In response to the exchange rate volatility, the Group converted RMB cash into HKD amounting to HK\$1.9 billion in 2015, which resulted in an exchange gain of HK\$154 million in our accounts.

The Group will continue to monitor closely the exchange rate movements and adopt corresponding measures as and when appropriate, such as converting more RMB cash into HKD for remittance to Hong Kong, increasing our RMB loans and entering into RMB forward contracts.

**5. Please comment on KWIH's land bank policy. What is the Group's benchmark return rate for projects? What are the targeted percentages of distribution of assets and revenues between Hong Kong and Mainland China? Any plans to expand the Group's business to other cities?**

In terms of asset type, we primarily focus on residential properties; and geographically, Hong Kong and Shanghai will be our key foothold for land replenishment.

The Group replenishes its assets in a prudent and disciplined manner. Attributes for assessing a project do not only include the absolute return rate, but also in the context of risk exposure.

The Group does not set any specific target for the distribution of investments or revenues between Hong Kong and Mainland China. The distribution is largely dependent on the potential of each project and the level of competition in land bidding in these markets.

Based on the progress and sales plans for projects in our portfolio, there is no pressing need for land replenishment in the short term. In the medium term, the need for land replenishment in Hong Kong could be stronger than that in Mainland China, given the latter's abundant development pipeline.



# Corporate Citizenship



KWIH emphasizes building long-term, engaging relationships with the community and employees, and believes such lasting relationships form the cornerstone of the Group's sustainable development. Upholding the belief of "Giving back to society from which one has benefitted", the Group is dedicated to making contributions to the community on multiple fronts on top of business pursuits, with a genuine wish to enrich lives with positive energy and benevolence. As a people-oriented enterprise, the Group values employees as the most important asset. We provide our staff with training programmes and career development opportunities to help them realize their career ambitions. The Group also cares about employee well-being by adopting a five-day work week policy, in furtherance of our family-friendly policy, so as to provide a harmonious and friendly workplace that fosters teamwork and encourages societal contributions among staff.

## GOING GREEN FOR A SUSTAINABLE COMMUNITY

The Group is committed to environmental protection and resources conservation in order to build a better future for our next generation. Our property developments are known not only for their exquisite quality, but also for the energy-saving green features which make them sustainable and friendly communities. Marinella located in Hong Kong Island South, for instance, garnered further environmental awards during the year after obtaining the Platinum Rating of Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council in the previous year, in testimony to the Group's ability and determination in the pursuit of sustainable development.

In contribution to a greener future, our staff formed a team to participate in the 22nd Green Power Hike organized by Green Power, raising funds to support local environmental education.



## EMPOWERING STAFF THROUGH TRAINING

Recognizing that employees are the driving force behind KWIH's ongoing business development, we arranged regular training programmes during the year to strengthen our workforce and nurture our future leaders via seminars, workshops and site visits (photo 5). In this manner, our employees are better placed to take full advantage of their capabilities. We also continued to host property development management courses with renowned universities in Mainland China (photo 1) to enhance our staff's professional

knowledge from the economy, the property sector, technological innovation to skills in media communication (photo 3), leadership, problem-solving (photo 2), crisis management and EQ management equipping them with requisite skillsets to seize opportunities in the fast-changing property sector and general business environment.

Moreover, the Group passes on its corporate culture, facilitates exchange of ideas and enhances rapport and cooperation among various divisions through team-building workshops (photo 4), seeking to unite their efforts towards common goals and broader successes.





## ENGAGING STAFF WITH LEISURE ACTIVITIES

KWIH is well aware that, in addition to career development opportunities, work-life balance and employee well-being are essential for staff. During the year, the Group organized an array of recreational activities during off-hours, such as K.Wah Master Chef Contest (photo 7), excursions (photo 10), theme park visits, movie screenings, handicraft classes, hiking and ball games, for after-work amusement, exercise and socializing. As part of our family-friendly policy

to enhance the sense of belonging among staff, some activities welcomed the participation of their family members. Last summer, our staff partook in the International Dragon Boat Race (photo 9) held in Stanley and showed exceptional grit and team spirit to finish strongly.

The Group also showed care and encouragement for staff by treating them with festive food items, annual dinners and Chinese New Year parties (photos 6 & 8).





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## CARING FOR SOCIETY WITH A COMPASSIONATE HEART

The spirit of the Good Samaritan is rooted deep inside the heart of every KWHI employee. The Group is committed to fostering harmonious neighbourhood to show our love and care.

We are supporters of a valuable tradition of honouring the old and nurturing the young. During the year,

our staff volunteers prepared meals and served senior citizens in the community with festive gift packs (photo 15) during charity visits. Elsewhere, our volunteers travelled far to visit students in impoverished areas (photo 14) and hosted an International Children's Day charity campaign (photo 13) to care for the young generation. We also participated in the UNICEF Charity Run 2015 (photos 11 & 12) to raise funds for the campaign to protect children against AIDS worldwide.



16



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## PROMOTING OPERA IN SUPPORT OF ARTS AND CULTURE

KWIH has been an ardent supporter of arts and culture to enriching the spiritual dimension of the society. During the year, the Group continued to serve as the honorary patron of Opera Hong Kong in support of numerous local arts education and outreach programmes. We also sponsored the performances of *The Land of Smiles* (photo 16), a three-act operetta, and *Tosca* (photo 18), a three-act opera,

featuring international and local artists. These world-class performances have enhanced local audience's knowledge and appreciation of opera, while offering outstanding local artists more performing and cross-cultural exchange opportunities. The Group once again sponsored the summer school of Opera Hong Kong and funded the participation of employees' children in the three-week training and the graduation performance of *Hairspray, JR* (photo 17), with an aim to nurturing youngsters' interest in opera, broadening their horizons and helping them to realize their potential.





(Photo 19; from left to right) Dr Moses Cheng, Senior Partner of Messrs. P. C. Woo & Co.; Prof Frederick Ma, Honourary Professor of the School of Economics and Finance at the University of Hong Kong; Prof Lawrence J. Lau, Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong; Ms Qiu Hong, Deputy Director of the Liaison Office of the Central People's Government in Hong Kong; Dr Condoleezza Rice, former Secretary of State of the United States; Prof K C Chan, Acting Financial Secretary of the Hong Kong Special Administrative Region (HKSAR); Dr Lui Che-woo, Founder and Chairman of the Board of Governors cum Prize Council of the LUI Che Woo Prize, and Mrs Lui; Mr Song Ru'an, Deputy Commissioner of the Commissioner's Office of Ministry of Foreign Affairs in HKSAR; Mr Eddie Ng, Secretary for Education of the HKSAR; Prof Wen-hsin Yeh, Senior Faculty China Adviser to the Chancellor at the University of California, Berkeley; and Prof Andrew Yao, Dean of Institute for Interdisciplinary Information Sciences at Tsinghua University toasting the launch of the LUI Che Woo Prize on 24 September 2015.

## LUI CHE WOO PRIZE — PRIZE FOR WORLD CIVILISATION

While we enjoy the fruits and convenience brought by scientific and technological progress, Dr Lui Che-woo, Chairman of the Group, believes that we should reiterate and safeguard the valuable traditional and moral values, treasure the relationship between people, promote social harmony and reduce conflicts and disputes between countries so as to create together a harmonious world.

To promote the development of world civilization, Dr Lui established the LUI Che Woo Prize — Prize for World Civilisation in Hong Kong during the year. It is the first-ever annual cross-sector international prize which manifests civilization and righteousness by honouring and recognizing individuals or organizations that have made remarkable contribution in three aspects: sustainable development, the welfare of mankind and promotion of peace and benevolence to the world through positive life attitude and energy. Three prizes totalling HK\$60 million (around US\$7.75 million) are awarded annually.



# Investor Relations



KWIH is committed to upholding a high standard of transparency to investors. Aiming to let investors have a good grasp of the Group's financial status, business development plans and strategies, we provide latest updates through annual reports, announcements, press releases, presentations on our website. The Group also regularly organizes press conferences, site visits, roadshows and investor briefing sessions, as well as actively participates in local and international investor conferences and one-on-one meetings. This enables management to exchange ideas, and establish close relationship and effective communication with the investment community.

KWIH, a constituent stock of the MSCI China Small Cap Index and Hang Seng Composite MidCap Index as well as an eligible stock under the Shanghai-Hong Kong Stock Connect programme, is widely followed by the investment community. Our effort in investor relations is well recognized. A number of global brokerage houses issue analyst reports on KWIH

regularly. Stock commentators and investment columns also recommend KWIH at times. Last year, the Group's 2014 annual report was honoured for the Real Estate Integrated Development and Investment Category in the International ARC Awards as the only winner in that category. Besides, Herbert Hui, Chief Financial Officer of the Group, was voted as "Best CFO in Hong Kong" in Asia's Best Companies 2015 Poll conducted by *FinanceAsia*.

## Investor relations activities in 2015

Results presentations	2
One-on-one meetings	63
Non-deal roadshows	4
Major investor conferences	8
Luncheon meetings/Presentations	6
Site visits	4
Number of participants	Over 270

# Corporate Governance Report

As at 23 March 2016

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2015.

The objective of the management structure within the Group — headed by our Board and led by the Chairman — is to deliver sustainable value to our Shareholders. To this end, good corporate governance plays a significant role.

The Board has applied the code provisions ("CPs") in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") during the year.

## BOARD OF DIRECTORS

**The Board** Led by the Chairman, the Board as the highest governing body of the Company has the responsibility for leadership and control of the Group. The Board sets the strategy of the Group and approves the annual operating budget prepared and presented by the management for achieving the Group's strategic objectives.

**Chairman and Managing Director** Dr. Lui Che-woo currently takes the roles of both the Chairman and the Managing Director of the Company. He leads the Board and oversees the day-to-day management of the Group. The Chairman has encouraged all Directors, especially the INEDs (including NED) to express their opinion freely before proposing the resolutions for voting.

**Board Composition** The Board currently comprises 9 Board members: the Chairman and Managing Director, 3 other executive Directors ("EDs"), one non-executive Director ("NED") and 4 independent non-executive Directors ("INEDs"); of which one of the INEDs has accounting professional qualification. The biographical details of the current Directors are set out on pages 50 to 54 of this annual report as well as on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") respectively. The list of Directors

with their roles and functions is also disclosed on the websites of the Company and HKEx respectively.

The EDs are employees of the Company who carry out executive functions in addition to their duties as Directors. They are collectively responsible for promoting the success of the Company by directing strategic objectives, developing strategic plans and overseeing the day-to-day management of the Group's business to ensure the efficient disposition of the Group's resources for the achievement of the strategic objectives set by the Board.

The NED and INEDs are not employees of the Company and do not participate in the daily management of the Group's business. Our NED and INEDs bring external perspectives, constructively challenge and help develop proposals on strategies, scrutinize the management in meeting agreed goals and monitor performance reporting. Through their wealth of experience across a number of industries and business sectors, our NED and INEDs contribute valuable views and proposals for the Board's deliberation and decisions.

**Board Practices** In 2015, the Board held 5 Board meetings (including 4 regular meetings and 1 ad hoc meeting). The regular meetings were held at approximately quarterly intervals and the dates of which had been scheduled at the beginning of the year while the ad hoc meeting was held in December 2015 for approving a connected transaction in respect of the sales of property units of The Summit as disclosed in the announcement of the Company dated 15 January 2016. Notice of at least 14 days in advance was given for convening a regular Board meeting. The Directors actively participated in person at each Board meeting to approve the annual budget in advance and to review the business progress against the budget. Matters requiring Board consents were given by vote at the Board meeting where Board members acted collectively as a unit. The Chairman also encourages and allows all Directors to have sufficient time to raise question on each agenda item during the meeting. Between scheduled Board meetings, routine/operational matters were considered and approved by the Board via the circulation of written resolutions with supporting

## Corporate Governance Report

As at 23 March 2016

materials, explanatory write-ups from the Company Secretary or briefings from the management as appropriate.

The Company has a set of comprehensive induction materials for newly appointed Directors. The Company Secretary has regularly updated Directors on compliance developments. All Directors have access to the advice and services from the management and the Company Secretary with a view to ensuring that Board procedures, and applicable rules and regulations, are followed. There are also arrangements in place for providing continuous professional development training (including attendance at external forums or briefing sessions and delivering of speeches on the relevant topics) and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. There is satisfactory attendance at Board meetings, Board Committee meetings and the meetings between the Chairman and the INEDs and the general meeting during the year 2015. The Company receives notification from each Director on an annual basis a list showing the nature of offices he holds in other public listed companies and organizations and other significant commitments and also indication of the respective estimated time involved.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

Our NED and INEDs are either veteran professionals or businessmen who have brought not only a wide range of skills and experience to the Group but also independent judgment to bear on issues of strategy, performance, risk and people through their contributions at Board meetings and also at meetings of the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") of the Company.

The Board has procedures in place to ensure that conflict of interest will be resolved in accordance with the spirit and requirement of CP A.1.7 of the CG Code of the Listing Rules on the HK Stock Exchange. The Company assists the INEDs with professional advice (at the Company's expenses) and management briefings for them to arrive at their recommendations on matters involving conflict of interest.

**Supply and Access to Information** The Company Secretary circulated meeting agenda (with arrangements for Directors to include their own items if thought fit) and supporting papers to the Directors at least 3 days in advance of a Board meeting, and attended Board meeting to assist in the proceedings.

All Directors have access to and open contact with senior management for any information and are entitled to have access to board papers and related materials as they require to make informed decisions on matters placed before them. Assisted by the Company Secretary, the Chairman of the Board has ensured that the Directors have been properly briefed on issues arising at Board meetings and supplied with information and papers as promptly and fully as possible. The Directors have access to independent professional advice when it becomes necessary and also the services of the Company Secretary who has been regularly updating the Directors on governance and regulatory matters. The service of independent professional advice at the Company's expense is also available to the members of the Audit Committee, Remuneration Committee and Nomination Committee. The external auditor (namely PricewaterhouseCoopers ("PwC")) attended all the Audit Committee meetings as well as Board meetings convened for approving annual and interim results.

The Company Secretary has kept all the minutes of Board meetings, which together with any supporting board papers, are available for all Board members for inspection. These minutes recorded matters considered by the Board and views expressed by the Directors. Draft and final versions of these minutes are sent to all Directors for their comments and records respectively, in both cases, within a reasonable time after each meeting.



Directors' attendance at Board and other meetings in 2015 is as follows:

Name of Directors	Meetings attended/Eligible to attend				
	Board Meeting (5)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Nomination Committee Meeting (1)	Annual General Meeting (1)
<b>Executive Directors</b>					
Lui Che-woo (Chairman & Managing Director) <sup>1</sup>	4/5	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung <sup>2</sup>	0/5	N/A	N/A	N/A	0/1
Paddy Tang Lui Wai Yu <sup>3</sup>	4/5	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah <sup>4</sup>	5/5	N/A	N/A	N/A	1/1
<b>Non-executive Director</b>					
Moses Cheng Mo Chi <sup>5</sup>	5/5	1/1	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Robin Chan Yau Hing	5/5	N/A	N/A	N/A	1/1
William Yip Shue Lam	5/5	2/2	1/1	1/1	1/1
Poon Chung Kwong <sup>6</sup>	2/2	1/1	N/A	N/A	1/1
Au Man Chu	5/5	2/2	N/A	N/A	1/1
Wong Kwai Lam	4/5	N/A	1/1	1/1	1/1
<b>Total</b>	<b>39/47</b>	<b>6/6</b>	<b>3/3</b>	<b>3/3</b>	<b>9/10</b>
<b>Average attendance rate</b>	<b>83%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>90%</b>

1. Dr. Lui Che-woo is the father of Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.
2. Mr. Francis Lui Yiu Tung is the son of Dr. Lui Che-woo, the younger brother of Ms. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.
3. Ms. Paddy Tang Lui Wai Yu is the daughter of Dr. Lui Che-woo, the elder sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.
4. Mr. Alexander Lui Yiu Wah is the son of Dr. Lui Che-woo, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.
5. Dr. Moses Cheng Mo Chi has been appointed as a member of the Audit Committee with effect from 31 July 2015.
6. Professor Poon Chung Kwong had resigned as an independent non-executive Director and a member of the Audit Committee with effect from 31 July 2015.

## Corporate Governance Report

As at 23 March 2016

**Appointment, Re-election and Removal** All our NED and INEDs are appointed for a specified term of 3 years, subject to re-election by Shareholders at the annual general meeting of the Company.

In accordance with the Bye-laws of the Company, other than the Chairman and the Managing Director of the Company, one-third of the Directors for the time being (or the number nearest one-third) shall retire by rotation and stand for re-election at each annual general meeting of the Company. At the forthcoming 2016 annual general meeting ("2016 AGM") of the Company, Mr. Alexander Lui Yiu Wah (ED), Dr. Moses Cheng Mo Chi (NED) and Dr. Robin Chan Yau Hing (INED) will retire by rotation and, being eligible, will offer themselves for re-election.

Pursuant to CP A.4.3 of the CG Code, any re-appointment of INEDs who served more than 9 years shall be subject to a separate resolution to be approved by the shareholders of the Company ("Shareholders"). Dr. Robin Chan Yau Hing (INED) served the Company for more than 9 years and is due to retire at the 2016 AGM. During his years of appointment, Dr. Robin Chan Yau Hing has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as an INED, the Board is of the view that Dr. Robin Chan Yau Hing is able to continue to fulfill his role as required and thus recommends him for re-election at the 2016 AGM. Dr. Robin Chan Yau Hing had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that Dr. Robin Chan Yau Hing remains independent, and there is no evidence that his tenure has had an impact on his independence. Separate resolution will be proposed for his re-election at the 2016 AGM.

Particulars of the said retiring Directors and the recommendation of the Board for their re-election are set out in a circular accompanied with this annual report for being despatched to the Shareholders.

**Confirmation of Independence** The Board considers all of its INEDs independent in character and judgment as within the guidelines under Rule 3.13 of

the Listing Rules. In reaching its determination, the Board has concluded that there are no relationships or circumstances that are likely to affect any INED's judgment. In accordance with Rule 3.13 of the Listing Rules, each of the 4 INEDs determined by the Board as independent has provided an annual written confirmation of his independence to the Company. The Company has identified its INEDs as such in all its corporate communications to the Shareholders.

### **Directors' Induction and Continuous Professional Development**

All Directors has participated in continuous professional development training (including attendance at external forums or briefing sessions, delivering of speeches and in-house seminars on the relevant topics) and have been provided with relevant reading materials to ensure they are apprised of the latest changes on the relevant laws, rules and regulations to further strengthen their knowledge and skills on their roles, functions and duties. The Company from time to time provides written training materials and latest development of the Listing Rules, applicable laws, rules and regulations relating to the Directors' duties and responsibilities.

During the year under review, the Company at its own expenses had provided Directors with written training materials for regulatory updates and arranged in-house seminar sessions conducted by qualified professionals experienced on the following topics for the Directors and the management of the Company to attend:

- (1) seminar on "(1) Whistleblowing system; and (2) Updates on the key changes in relation to risk management and internal controls of the Corporate Governance ("CG") Code and CG Report";
- (2) seminar on "Political reform: impact on Hong Kong's economic and social aspects";
- (3) seminar on "Emerging technology enablement tools"; and
- (4) reading material on Risk Assessment Report of the Company.

The Company has maintained records of training provided for each Director, summarized as follows:

Members of the Board	Attending Seminars	Reading Materials
<b>Executive Directors</b>		
Lui Che-woo (Chairman & Managing Director)	(2),(3)	(1),(4)
Francis Lui Yiu Tung	—	(1),(3),(4)
Paddy Tang Lui Wai Yu	(1),(2),(3)	(4)
Alexander Lui Yiu Wah	(1),(2),(3)	(4)
<b>Non-executive Director</b>		
Moses Cheng Mo Chi	(1),(3)	(4)
<b>Independent Non-executive Directors</b>		
Robin Chan Yau Hing	(1),(2),(3)	(4)
William Yip Shue Lam	(1),(2),(3)	(4)
Poon Chung Kwong (resigned on 31 July 2015)	(1),(2)	—
Au Man Chu	(1),(2),(3)	(4)
Wong Kwai Lam	(2),(3)	(1),(4)

**Model Code for Securities Transactions by Directors**

The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2015. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by some of its employees.

Other than the connected transaction and continuing connected transactions disclosed in the Report of the Directors, none of the Directors had, at any time during the year and up to the date of this Report or at the balance sheet date, a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

**Corporate Governance Functions** A policy for the Corporate Governance Policy including all the required terms of reference stated in CP D.3.1 of the CG Code was adopted by the Board on 22 March

2012 and is subject to review annually. The Board is primarily responsible for determining the policy for the corporate governance of the Company and performing the following corporate governance duties as required under the CG Code:

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



## Corporate Governance Report

As at 23 March 2016

During the year under review, the Board reviewed the Policy for Nomination of Directors, the Model Code, the corporate governance policy, shareholders communication policy and the usage of annual caps on continuing connected transactions of the Group, as well as the effectiveness of the internal controls and risk management systems of the Company through the internal audit function and the Audit Committee. The Company has also established an internal policy on handling of confidential and inside information, and securities dealings for all employees of the Group to comply with the requirements under Part XIVA of the Securities and Future Ordinance when they are in possession of confidential and inside information in relation to the Group.

### DELEGATION BY THE BOARD

**Executive Board** Within the clear guidelines which it sets, the Board has delegated to an executive board (“Executive Board”) established by it, comprising all the EDs, authority to oversee the implementation of the Group’s strategy set by the Board, monitor the Group’s investment and trading performance as well as funding and finance requirements, and review management performance. The Board retains to itself authority on annual budgets and accounts, dividends, share capital, derivative transactions, connected transactions and transactions requiring Shareholders’ approval, and certain financing, acquisitions, disposals and operation issues above predetermined thresholds.

The Executive Board also meets regularly and operates as a general management committee under the direct authority of the Board. The Executive Board reports through the Chairman and Managing Director to the Board. The Executive Board sub-delegates day-to-day administration details to the management committees charged with specific operation tasks under the leadership of the Executive Board. Management, pursuant to the level of authority formally approved by the Executive Board, submit written proposals with details analysis on financial and commercial aspects and recommendations to the Executive Board for consideration and approval. When the matter exceeds the authority of the Executive Board or relates to any matters specifically reserved to the Board, it would be submitted to the Board for approval.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

**Remuneration Committee** The Remuneration Committee currently comprises 3 members identified in the table on page 41 (Dr. William Yip Shue Lam, Dr. Lui Che-woo and Mr. Wong Kwai Lam) and is chaired by Dr. William Yip Shue Lam (INED). The Company Secretary acts as the secretary of the Remuneration Committee, who has kept full minutes of the Remuneration Committee meetings with drafts and final versions circulating to members for their comments and records respectively within a reasonable time after the relevant meetings. The written terms of reference of the Remuneration Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In accordance with its terms of reference, the Remuneration Committee:

- on 26 January 2015, reviewed and approved the 2014 year-end bonus paid to the EDs;
- on 20 March 2015, reviewed the level of Directors’ fees for 2014 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2015;
- on 19 January 2016, reviewed and approved the 2015 year-ended bonus paid to EDs;
- on 21 January 2016, considered and endorsed the Executive Board’s Share Option Scheme 18th Offer Proposal on granting options to (among others) Directors; and
- on 17 March 2016, reviewed the level of Directors’ fees for 2015 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2016.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2015 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2016 AGM. The Remuneration Committee submitted its written report and/or recommendations to the Board after its meeting.

No Director had participated in the determination of his or her own remuneration.

Details of Directors' Remuneration and Five Highest Pay Individuals of the Group for the year ended 31 December 2015 are set out in notes 12 and 13 to the 2015 Financial Statements respectively.

**Nomination Committee** The Nomination Committee of the Company comprises 3 members identified in the table on page 41 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. Lui Che-woo. The Company Secretary acts as the secretary of the Nomination Committee, who has kept full minutes of the Nomination Committee meetings with drafts and final versions being circulated to members for their comments and records respectively within a reasonable time after the relevant meetings.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; conducting assessment of the independence of each INED and the management of Board succession. In order to facilitate its functions for the nomination of procedures and the process and criteria to select and recommend candidates for directorship of the Company, a policy for nomination of directors ("Nomination Policy") had been adopted by the Board on 22 March 2012 and was revised in March 2013 to include the diversity of board members. The Company seeks to achieve board diversity through

the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and other qualities of Directors. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee is also responsible for assessing the independence of INEDs and reviewing their annual confirmation on their independence. The written terms of reference of the Nomination Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In 2015, the Nomination Committee met once in March 2015 with all members attended. At its meeting held on 17 March 2016, the Nomination Committee reviewed the structure, size and composition of the Board; assessed the independence of all INEDs; and made recommendation on the retirement and re-appointment of Directors at the 2016 AGM. The Nomination Committee submitted its written report and/or recommendations to the Board after its meeting.

**Audit Committee** The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and risk management and internal control systems and to review the Group's interim and annual consolidated financial statements.

The Audit Committee comprises 1 NED (Dr. Moses Cheng Mo Chi (appointed as a member of the Audit Committee on 31 July 2015 in replacement of Professor Poon Chung Kwong's resignation of even date) and 2 INEDs (Dr. William Yip Shue Lam and Mr. Au Man Chu), identified in the table on page 41 and is chaired by Dr. William Yip Shue Lam. The Company Secretary acts as the secretary of the Audit Committee, who has kept full minutes of the Audit Committee meetings with drafts and final versions being circulated to the members for their comment and records respectively within a reasonable time after the relevant meetings.

## Corporate Governance Report

As at 23 March 2016

Regular attendees at the Audit Committee meetings are the senior management of the Company responsible for the accounting and financial reporting function, head of the internal audit function, and the senior representatives of PwC as the external auditor.

In 2015, the Audit Committee met twice in March 2015 for reviewing the Group's 2014 annual results and financial statements and in August 2015 for reviewing the Group's 2015 interim results and financial statements. In December 2015, the Audit Committee also reviewed the Group's risk assessment report which identified the top risk areas faced by the Group and the risk mitigating actions corresponding to the identified risk areas. The risk assessment exercise will be performed from conducting questionnaire and interviews and to be reviewed by the Audit Committee on an annual basis. At its meeting on 17 March 2016, the Audit Committee reviewed the Group's annual results and financial statements for 2015 and also the report on the effectiveness of the risk assessment and internal control system of the Group from the internal audit function. Each meeting received written reports and papers from PwC.

The written terms of reference of the Audit Committee has been revised in December 2015 to include an ongoing responsibility to oversee the Company's risk management system in compliance with the new CG Code which takes effect from 1 January 2016. The revised written terms of reference of the Audit Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

The Audit Committee was satisfied with the independence of PwC during the year and has recommended the Board to propose for the re-appointment of PwC as the external auditor of the Company at the 2016 AGM. An analysis of the fees for 2015 paid to external auditor appears in note 10 to the 2015 Financial Statements.

**Company Secretary** The Company Secretary is a full time employee of the Company, who reports to the Chairman and assists the Board in ensuring effective information flow among Board members and that the Board policy and procedures including those on corporate governance matters are followed. The Company Secretary had complied with Rule 3.29 of the Listing Rules during the year under review.

## ACCOUNTABILITY

**Financial Reporting** The Board is accountable for the proper stewardship of the Group's affairs, and Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with generally accepted accounting standards in Hong Kong, the requirements of the Listing Rules and applicable laws as well as the integrity of the financial information so reported. Such responsibility is extended to cover not only the annual and interim reports but also announcements and other financial disclosures of the Company required under the Listing Rules. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Independent Auditor's Report to the Shareholders is set out on page 65 of this annual report.

The management of individual businesses within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval. Starting from April 2012, the Company provided all Directors with monthly management updates giving a balanced and understandable assessment of the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Group has adopted the going concern basis in preparing its financial statements.



### Internal Controls and Risk Management

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems on an ongoing basis.

The Group has a clear organizational structure with well-defined responsibilities, reporting lines and authority limits and budgetary controls for managers of operating divisions. The scope of internal controls and risk management covering financial, operational and compliance areas, and control procedures are to identify and then manage risks.

The Company's internal audit function — currently staffed by two qualified professionals — is set up to provide the Board with reasonable assurance that the internal control system of the Company is effective, and that the risks associated with the achievement of business objectives of the Group are being managed properly. During the year, the internal audit function drew up internal audit plan, discussed with management on areas of risk identified, and reviewed its internal audit report with the Audit Committee. The chairman of the Audit Committee has open access to the head of the internal audit function. Internal audit function annually reports to the Audit Committee whether the risk management and internal control systems are maintained and operated by management in compliance with policies and procedures of the Group and the requirements that are laid down by external regulators.

In compliance with CP C.2.2 of the CG Code, internal audit function had assessed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The result of the assessment is satisfactory.

During the year 2015 and up to the date of the financial statements, there was no significant control failure, as the internal audit function so reported to the Board through the Audit Committee.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board established a shareholders communication policy in March 2012 setting out the principles of the Company in relation to its communication with the Shareholders, with the objective of ensuring the effective and timely dissemination of information to Shareholders at all times. In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes sure these materials, which contain extensive information about the Group's activities, timely available for access by Shareholders on both the websites of the Company and HKEx. The Company's website at [www.kwih.com](http://www.kwih.com) is also a valuable platform for investors and it contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

The Company has a number of its senior management specifically charged with investor relation functions. The Company responds to enquiries from Shareholders and investors on matters relating to the business of the Group in an informative and timely manner. Every year, upon announcing results, the Company holds a press conference and briefings with the investment community, and the EDs also have dialogues with institutional investors and financial analysts. In between times, the Company organizes site visits and meetings for reserved analysts in order to provide them with a comprehensive knowledge of our products.

The Company received coverage and regular reports on its business and stock performance from leading financial commentators and analysts of local and international securities houses.

## Corporate Governance Report

As at 23 March 2016

The Company encourages the Shareholders to attend annual general meetings and all its other shareholders' meetings to discuss progress and matters. The Chairman of the Board and other Directors are available at these meetings to answer Shareholders' questions. Separate resolution is proposed at general meetings of the Company on each substantially separate issue, including the election of individual directors. All the resolutions proposed at the 2015 annual general meeting ("2015 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2015 AGM had at the meeting ensured that an explanation was provided for the detailed procedures for conducting a poll. The Company's branch share registrar in Hong Kong had acted as the scrutineer for the vote-taking at the 2015 AGM, the voting results of which had been announced by the Company in accordance with Rule 2.07C of the Listing Rules on the websites of the Company and HKEx respectively. The Company had sent the notice of 2015 AGM to Shareholders more than 20 clear business days before the 2015 AGM. The Chairman of the 2016 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2016 AGM (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

### SHAREHOLDERS' RIGHTS

**Convening a special general meeting by shareholders** Pursuant to the provisions of Section 74 of the Companies Act 1981 of Bermuda (as amended), a special general meeting may be convened by the Board of Directors upon requisition by any shareholder(s) holding not less than one-tenth of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. The requisition must state the purposes of the meeting, and must be signed by the relevant shareholder(s) and deposited at the principal

place of business in Hong Kong of the Company. If the Board of Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the shareholder(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

**Putting forward proposals at general meeting** A shareholder shall make a written requisition to move a resolution at general meeting to the Board of Directors or the Company Secretary of the Company at the principal place of business in Hong Kong of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

**Proposal for election of Director** If a shareholder intends to propose a person other than a retiring Director of the Company for election as Director, the procedures have been set out in the Company's website.

**Enquiries to the Board** Shareholders may put forward their enquiries about the Company to the Board of Directors at the Company's principal place of business in Hong Kong or by email through the Investor Relations of the Company.

### CONSTITUTIONAL DOCUMENTS

The Company's Memorandum of Association and Bye-laws has been published on the websites of the Company and HKEx respectively. There have been no changes in the Company's Memorandum of Association and Bye-laws since the last alternation in June 2007.

## COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

The Board and the management of the Company are committed to the principles of good corporate governance which are consistent with prudent enhancement and management of shareholder value. The full Board is entrusted with the overall responsibility of developing, monitoring and performing the corporate governance policy and the shareholders communication policy as adopted by the Board in March 2012. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence and will review the management structure regularly to ensure it continues to meet these objectives and is in line with industry practices.

Throughout the year ended 31 December 2015, the Company had complied with all the CPs of the CG Code as set out in Appendix 14 of the Listing Rules, except the following CPs:

**CP A.2.1** — there was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by Dr. Lui Che-woo. The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible EDs. The Board found that the current management had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, all INEDs have contributed valuable views and proposals independently for the Board's deliberation and decisions.

**CP A.4.2** — Given that the other Directors do retire by rotation in accordance with the Bye-laws of the Company and the Board considers that the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to the Company and his leadership, vision and profound knowledge in the widespread geographical business of the Group is a valuable asset of the Company.



# Biographical Information of Directors

## EXECUTIVE DIRECTORS

**Dr. Lui Che-woo**, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 86, the founder of the Group, has been the Chairman since June 1989 and is presently the Chairman and the Managing Director, a member of the remuneration committee (ceased to act as the chairman on 22 March 2012 but remains as a member) as well as the chairman of the nomination committee (appointed on 22 March 2012) of the Company. Dr. Lui is also the chairman and an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He has over 50 years' experience in quarrying, construction materials and property development. He was the founding chairman of the Institute of Quarrying in UK (Hong Kong Branch) and the chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the founding chairman of The Federation of Hong Kong Hotel Owners, the president of Tsim Sha Tsui East Property Developers Association, the founding president of Hong Kong — Guangdong Economic Development Association and an Honorary President of Hong Kong — Shanghai Economic Development Association. Dr. Lui has been appointed as a member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Furthermore, Dr. Lui was a committee member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in June 2012. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011.

Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 — Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at The Asia Awards in 2014. Dr. Lui was awarded the Lifetime Achievement Award by the World Travel Awards in 2015. Dr. Lui is the founder of the Lui Che Woo Prize — Prize for World Civilisation established in Hong Kong in 2015 for sustainable development of the world, welfare of mankind and promotion of positive life attitude. Dr. Lui is the father of Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.

**Mr. Francis Lui Yiu Tung**, aged 60, joined K. Wah group in 1979. He has been an executive Director of the Company since June 1989. Mr. Lui is also the deputy chairman and a member of each of the executive board, nomination committee and remuneration committee as well as the chairman of corporate governance committee of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in civil engineering and a Master of Science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the HKSAR and a member of the Chief Executive Election Committee of Macau SAR. He is also a director of the 68th Term of Macao Chamber of Commerce and an Honorary Chairman of the 18th Term of Kiang Wu Hospital Charitable Association. Mr. Lui was awarded the Medal of Merit — Tourism by Macau SAR in 2012 and Asia Pacific Entrepreneurship Awards 2014 — Entrepreneur of the Year by Enterprise Asia in 2014. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Ms. Paddy Tang Lui Wai Yu and the elder brother of Mr. Alexander Lui Yiu Wah.

**Ms. Paddy Tang Lui Wai Yu, BBS, JP**, aged 62, joined K. Wah group in 1980 and has been an executive Director of the Company since June 1989. She is also an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, she has no previous directorships in other public listed companies in the last 3 years. She holds a Bachelor of Commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui has been elected as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference in December 2012. Ms. Lui has been re-appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority from 17 March 2015 for two years. She was appointed as a member of board of trustees of Shanghai Jiao Tong University on 30 October 2014. She is also a member of various public and social service organizations, including the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Lui was formerly a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation. Ms. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is the daughter of Dr. Lui Che-woo and the elder sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.

**Mr. Alexander Lui Yiu Wah**, aged 53, joined K. Wah group in 1984 and is presently the Managing Director of Hong Kong Properties of the Group. He has been an executive Director of the Company since April 2010. Mr. Lui is also a director of a number of affiliated companies of the Group. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in Industrial and Systems Engineering from the University of Southern California, USA. Mr. Lui was a committee member of Guangzhou Committee of the 11th Chinese People's Political Consultative Conference and has been again elected as a committee member of Guangzhou Committee of the 12th Chinese People's Political Consultative Conference in 2011. He has been elected as a committee member of Guangdong Provincial Committee of the 11th

Chinese People's Political Consultative Conference on 14 January 2013. Mr. Lui was elected as a committee member of Jiangman City Xinhui District Committee of the 13th Chinese People's Political Consultative Conference in 2006 and has been again elected as a committee member of Jiangman City Xinhui District Committee of the 14th Chinese People's Political Consultative Conference in 2012. Mr. Lui was elected as the managing vice-chairman and director of the 5th Board of Directors of Guangzhou Municipal Committee Hong Kong Members Association in January 2013. Mr. Lui was re-appointed as the managing vice-chairman of the 6th Board of Directors of Guangzhou Overseas Friendship-Liaison Association on 26 March 2013. Mr. Lui has been appointed as the deputy chairman (vice president) of the Guangdong Federation of Industry and Commerce in PRC for the years from 2012 to 2017. Mr. Lui has been appointed as a member of Hong Kong CPPCC (Provincial) Members Association Limited on 17 April 2013. In August 2014, Mr. Lui was appointed as a director of the 3rd Board of Directors of the Association of The Hong Kong Members of Guangdong's Chinese People's Political Consultative Conference Committees. He was appointed as the executive vice-chairman of Hong Kong Guang Fo Zhao Fraternity Association (2014-2017). He is the vice president of The Hong Kong Real Estate Association. He has been a member of the board of directors of The Real Estate Developers Association of Hong Kong since 1999. Mr. Lui has been appointed as a director of Business & Professionals Federation of Hong Kong since 27 September 2002 and was re-elected as a member of the executive committee in September 2015. He was a member of The Appeal Panel on Housing, Hong Kong during the period from 1 July 2002 to 31 March 2008. He was a member of Estate Agents Authority (EAA) from 2008 to October 2014. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

## Biographical Information of Directors

### NON-EXECUTIVE DIRECTOR

**Dr. Moses Cheng Mo Chi**, *GBS, OBE, JP*, aged 66, has been a non-executive Director of the Company since August 2009. He has been appointed as a member of the audit committee of the Company with effect from 31 July 2015. Dr. Cheng is a practising solicitor and a consultant of P.C. Woo & Co., a Hong Kong firm of solicitors, after serving as its senior partner from 1994 to 2015. He was also the founding chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng was a member of the Legislative Council of Hong Kong and the chairman of the Main Board Listing Committee and the Growth Enterprise Market Listing Committee of the HK Stock Exchange and a remuneration committee member of The Financial Reporting Council in Hong Kong. Dr. Cheng is currently an independent non-executive director in China Mobile Limited, China Resources Beer (Holdings) Company Limited (formerly known as "China Resources Enterprise, Limited"), Guangdong Investment Limited, Liu Chong Hing Investment Limited and Towngas China Company Limited, all being public listed companies on the Main Board of the HK Stock Exchange. He is also a non-executive director in Kader Holdings Company Limited and Tian An China Investments Company Limited, all being public listed companies on the Main Board of the HK Stock Exchange. He is also an independent non-executive director of ARA Asset Management Limited which is a listed company in Singapore. Dr. Cheng is also the chairman of the Insurance Authority and the chairman of the Process Review Panel for Securities and Futures Commission. On 1 July 2013, he was appointed as an independent non-executive director of OTC Clearing Hong Kong Limited (a subsidiary of Hong Kong Exchanges and Clearing Limited). Dr. Cheng had resigned as a non-executive director of Hong Kong Television Network Limited (a public listed company on the Main Board of the HK Stock Exchange) with effect from 31 August 2014. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Dr. Cheng has ceased the chairman of both the Committee on Free Kindergarten Education and the Education Commission in 2015.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Robin Chan Yau Hing**, *GBS, LL.D, JP*, aged 83, has been a Director since June 1989 and has become an independent non-executive Director of the Company since 1998. Dr. Chan holds different positions in public listed companies on the Main Board of the HK Stock Exchange, including the chairman and an executive director of Asia Financial Holdings Limited and an independent non-executive director of Keck Seng Investments (Hong Kong) Limited. Dr. Chan had resigned as an independent non-executive director of Chong Hing Bank Limited (a public listed company on the Main Board of the HK Stock Exchange) on 14 February 2014. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. In addition, Dr. Chan is the vice chairman of All-China Federation of Returned Overseas Chinese and the life honorary chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also the founding chairman and president of the Hong Kong Federation of Overseas Chinese Associations Limited, the honorary chairman of both the China Federation of Overseas Chinese Entrepreneurs and the Federation of HK Chiu Chow Community Organizations Limited; and the executive vice chairman of the China Overseas Chinese Entrepreneurs Association. Dr. Chan had been a deputy to The National People's Congress of the People's Republic of China from March 1988 to February 2008. He has extensive experience in the banking industry and acts as an adviser to numerous other companies. Dr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. Dr. Chan was conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in June 2013.



**Dr. William Yip Shue Lam, LL.D.**, aged 78, has been an independent non-executive Director and the chairman of audit committee since June 2008 as well as the chairman of the remuneration committee and a member of the nomination committee (both appointed on 22 March 2012) of the Company. He holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the chairman of Canada Land Limited (“Canada Land”) since 1972. Canada Land engaged in real estate development and tourist attraction business, listed in 1994 on the Australian Stock Exchange and was privatized in May 2013. He remains as the chairman of Canada Land. Dr. Yip is also an independent non-executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He was also the chairman of Cantravel Limited, Guangzhou since 1996 and became a director in October 2013. Dr. Yip has been active in public services and has been appointed as an honorary standing committee member of The Chinese General Chamber of Commerce (November 2012–October 2022) and the president of Concordia University Hong Kong Foundation Limited and chairman of Board of Governors, Canadian University Association in Hong Kong. He had been the president (1998–2000) and currently the member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong, and the fellow member of The Hong Kong Institute of Directors. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

**Mr. Au Man Chu**, aged 65, has been appointed as an independent non-executive Director and a member of the audit committee of the Company since August 2011. Mr. Au holds a Bachelor of Commerce degree from the University of Alberta in Canada and is a member of The Canadian Institute of Chartered Accountants. Mr. Au was an executive director of Noble Group Limited (a company listed in Singapore) from 1 December 1995 to 31 December 2003 and was re-designated as a non-executive director from 1 January 2004 to 16 April 2015. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. In addition, Mr. Au is a director of Hong Kong International Film Festival Society Limited.

**Mr. Wong Kwai Lam**, aged 66, has been appointed as an independent non-executive Director and a member of the remuneration committee since August 2011 as well as a member of the nomination committee (appointed on in March 2012) of the Company. Mr. Wong obtained a degree of Bachelor of Arts from The Chinese University of Hong Kong (“CUHK”) in 1972 and a Ph. D from Leicester University, England in 1977. He has over 32 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Limited (“Merrill Lynch”) from May 1993 to August 2009 where he served as a managing director in the Asia investment banking division since January 1995. Mr. Wong was appointed as a senior client advisor to Merrill Lynch in September 2009 and served in that position for one year. In his 17 years of experience in various senior positions with Merrill Lynch, Mr. Wong’s responsibilities included, among others, managing the overall business of its Asia investment banking division from March 2003 to May 2005. Prior to joining Merrill Lynch, Mr. Wong had been a director in the investment banking division of CS First Boston (Hong Kong) Limited and a director and the head of primary market in Standard Chartered Asia Limited. Mr. Wong is currently the chairman of IncitAdv Consultants Limited and a director of Opera Hong Kong Limited. Mr. Wong has been appointed as a member of the investment sub-committee and a vice chairman of the Board of Trustees of New Asia College of CUHK. Mr. Wong is an independent non-executive director and chairman of the remuneration and appraisal committee and a member of the audit committee of China Merchants Bank Company Limited (a public listed company on the Main Board of the HK Stock Exchange and The Shanghai Stock Exchange). Mr. Wong is also an independent non-executive director and a member of the audit committee and designated (finance) committee of ARA Asset Management (Prosperity) Limited as the manager of Prosperity Real Estate Investment Trust (a publicly-listed company on the Main Board of the HK Stock Exchange). In April 2013, Mr. Wong was also appointed as an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited (“LHIL”) (a publicly-listed company on the Main Board of the HK Stock Exchange) and LHIL Manager Limited (“LHIL

## Biographical Information of Directors

Manager”) which is the trustee-manager of Langham Hospitality Investments. Mr. Wong is the chairman of the audit committee of LHIL and LHIL Manager, and a member of the remuneration committee and nomination committee of LHIL. In December 2015, Mr. Wong has been appointed as an independent non-executive director of both Hutchison Port Holdings Trust (“HPH Trust”) (a company listed in Singapore) and Hutchison Port Holdings Management Pte. Limited (as the trustee-manager of HPH Trust). In addition, Mr. Wong was appointed as a member of the Hospital Governing Committee of The Prince of Wales Hospital, Hong Kong in April 2013 and has also been appointed as a director of CUHK Medical Centre Limited effective in February 2016. He was formerly a member of the Advisory Committee to the Securities and Futures Commission in Hong Kong, a member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a member of the China Committee to the Hong Kong Trade Development Council. Save as disclosed herein, he has no previous directorships in other publicly-listed companies in the last 3 years.

## SENIOR MANAGEMENT

Assisted by head of departments, the executive Directors are under the direct responsibilities for the business and operations of the Group and the executive Directors are therefore regarded as the senior management of the Company.

# Report of the Directors

The Directors have pleasure in presenting to the Shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 ("2015 Financial Statements").

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Our principal subsidiaries, joint ventures and associated companies are primarily engaged in property development and property investment in Hong Kong, Mainland China and Singapore, and their activities are set out in note 40 to the 2015 Financial Statements.

Further discussion and analysis of these activities, including a fair review of the Group's business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015, and an indication of likely future development in the Group's business, can be founded in the sections headed "Five Years Summary", "Statement from the Chairman", "Management Discussion and Analysis", "Management Chatroom", "Corporate Citizenship", "Investor Relations" and "Corporate Governance Report" of this annual report. The above sections form part of this Report of the Directors.

## RESULTS AND APPROPRIATIONS

The 2015 Financial Statements on pages 66 to 130 of this annual report set out the results of the Group for the year ended 31 December 2015.

An interim scrip dividend (with a cash option) of HK\$0.05 per ordinary share of the Company ("Share") was paid during the year. The Board recommends the payment of a final scrip dividend (with a cash option) of HK\$0.12 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.17 (2014: HK\$0.15 per Share). Details of dividends are set out in note 16 to the 2015 Financial Statements.

## SHARES ISSUED

Note 27 to the 2015 Financial Statements contains

details of the shares issued by the Company during the year and the increase in issued share capital of the Company during the year was due to allotment of new Shares for scrip dividends.

## DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme described below, the Group has not entered into any equity-linked agreements during the year.

## DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2015, calculated under Companies Act 1981 of Bermuda, amounted to HK\$1,655,277,000 (2014: HK\$1,701,504,000).

## DONATIONS

During the year, the Group made charitable donations amounting to HK\$2,534,000 (2014: HK\$4,040,000).

## SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2015 for investment and development purposes are set out on pages 131 to 132 of this annual report.

## DIRECTORS

The Directors of the Company who served during the year and up to the date of this Report of the Directors were Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, Dr. Moses Cheng Mo Chi, Dr. Robin Chan Yau Hing, Dr. William Yip Shue Lam, Professor Poon Chung Kwong (resigned on 31 July 2015), Mr. Au Man Chu and Mr. Wong Kwai Lam.

Biographical details of the current Directors are set out on pages 50 to 54 of this annual report.

In accordance with bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Mr. Alexander Lui Yiu Wah, Dr. Moses Cheng Mo Chi and Dr. Robin Chan Yau Hing



## Report of the Directors

will retire by rotation at the forthcoming 2016 annual general meeting of the Company ("2016 AGM") and being eligible, will offer themselves for re-election.

None of the Directors proposed for re-election has a service contract with the Company or any of its

subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of Shareholders at the 2016 AGM, the following fees in respect of year ended 31 December 2015 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	190,000	160,000
Audit Committee	140,000	120,000
Remuneration Committee	60,000	50,000
Nomination Committee	60,000	50,000

### DIRECTORS' EMOLUMENTS

The emoluments of the Directors of the Company (including executive Directors and independent non-executive Directors) on a named basis are set out in note 12 to the 2015 Financial Statements.

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this Report of the Directors, no other significant transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted as at 31 December 2015 or at any time during the year.

### DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2015, the interests and short positions of each Director in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities (“Listing Rules”) on the HK Stock Exchange, were as follows:

### (A) Ordinary Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	22,427,176	8,317,120 <sup>(1)</sup>	284,175,140 <sup>(2)</sup>	1,432,152,769 <sup>(3)</sup>	1,747,072,205	61.53
Francis Lui Yiu Tung	8,738,035	—	—	1,432,152,769 <sup>(3)</sup>	1,440,890,804	50.74
Paddy Tang Lui Wai Yu	21,927,605	—	—	1,432,152,769 <sup>(3)</sup>	1,454,080,374	51.21
Alexander Lui Yiu Wah	13,673,234	—	3,859,147 <sup>(4)</sup>	1,432,152,769 <sup>(3)</sup>	1,449,685,150	51.05
Moses Cheng Mo Chi	560,000	—	—	—	560,000	0.02
Robin Chan Yau Hing <sup>(5)</sup>	2,236,979	—	—	—	2,236,979	0.08
William Yip Shue Lam	572,726	—	—	—	572,726	0.02
Au Man Chu	560,000	—	—	—	560,000	0.02
Wong Kwai Lam	760,000	—	—	—	760,000	0.03

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as founder. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.
- (5) Dr. Robin Chan Yau Hing (through a corporation beneficially owned and controlled by him) had subscribed for the guaranteed notes with principal sum of US\$200,000,000 carrying a coupon rate of 5.375% per annum for a maturity of 5 years issued by K. Wah International Financial Services Limited (a wholly-owned subsidiary of the Company) under the US\$1 billion Medium Term Note Programme. Such notes are guaranteed by the Company and are listed on the HK Stock Exchange.

### (B) Underlying Shares — Share Options

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

share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued

Save as disclosed above, as of 31 December 2015, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the SFO).

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2015, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Number of Ordinary Shares (Long Position)	Approximate % of Issued Share Capital
CWL Assets (PTC) Limited	1,432,152,769	50.44
HSBC International Trustee Limited	1,419,996,537 <sup>(1)</sup>	50.01
Super Focus Company Limited	966,311,749	34.03
Southeastern Asset Management, Inc.	279,810,815	9.85
Star II Limited	234,675,299	8.26
Favor Right Investments Limited	188,248,120	6.63
Premium Capital Profits Limited	163,902,125	5.77
Lui Che Woo Foundation Limited	162,363,000	5.72

Note:

- (1) HSBC International Trustee Limited is the trustee of a discretionary trust established by Dr. Lui Che-woo as the founder which was interested in 1,419,996,537 Shares. Following the acquisition of Shares during the period from 23 to 30 November 2015, the shareholding of HSBC International Trustee Limited was increased to 1,432,152,769 Shares. Such Shares are the aggregation of (i) 188,248,120 Shares held by Favor Right Investments Limited, (ii) 42,917,601 Shares held by Best Chance Investments Limited, (iii) 966,311,749 Shares held by Super Focus Company Limited, (iv) 163,902,125 Shares held by Premium Capital Profits Limited, and (v) 70,773,174 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

There was duplication of interests of 1,432,152,769 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 966,311,749 Shares were interested by Super Focus Company Limited, 42,917,601 Shares were interested by Best Chance Investments Limited, 188,248,120 Shares were interested by Favor Right Investments Limited, 163,902,125 Shares were interested between Premium Capital Profits Limited and Star II Limited and 70,773,174 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2015 the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") adopted by the Shareholders of the Company at its annual general meeting held on 20 June 2011 is summarized below:

#### (1) Purpose

- (i) to attract and retain the best quality personnel for the development of the Company's businesses;
- (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and
- (iii) to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.



**(2) Participants**

- (i) any selected employees of the Company or any affiliate and any senior executive or directors (including independent non-executive directors) of the Company or any affiliate; or
- (ii) any consultants, agents, representatives or advisers of the Company or any affiliate; or
- (iii) any persons who provide goods or services to the Company or any affiliate; or
- (iv) any customers or contractors of the Company or any affiliate; or
- (v) any business allies or joint venture partners of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

“Affiliate” means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

**(3) Total number of Shares available for issue**

**Mandate Limit** — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 20 June 2011, being 255,195,221 Shares.

**Overriding Limit** — The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to the Shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 63,004,000 Shares, which represented approximately 2.2% of the issued share capital of the Company on that date.

**(4) Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue. However, subject to separate approval by the Shareholders in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) abstaining from voting and provided that the Company shall issue a circular to Shareholders before such approval is sought, the Company may grant a participant options which would exceed the aforesaid limit.

## Report of the Directors

### (5) Option period

The period during which an option may be exercised as determined by the Board in its absolute discretion at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

### (6) Minimum period for which an option must be held before it is vested

The minimum period, if any, for which an option must be held before it is vested shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

### (7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of offer (or such longer period as the Board may specify in writing).

### (8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of grant of the relevant option but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet on the date of grant;
- (ii) the average closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

### (9) Effects of re-organisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of a capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue, consolidation or subdivision of shares or reduction of capital, such corresponding alterations (if any) shall be made to: (a) the number and/or nominal amount of Shares subject to the option so far as unexercised; (b) the subscription price; and/or (c) the maximum number of Shares subject to the Share Option Scheme, as the auditors shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalization issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any option holder is entitled to subscribe pursuant to the options held by him.

### (10) The remaining life of the Share Option Scheme

The life span of the Share Option Scheme is 10 years commencing from 20 June 2011 and will expire on 19 June 2021.

Particulars of the movement of the options held by each of the Directors, and the employees of the Company and its affiliates in aggregate under the Share Option Scheme during the year ended 31 December 2015, were as follows:

Holders	Date of grant	Number of options			Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2015	Lapsed during the year	Held at 31 December 2015		
Lui Che-woo	27 Nov 2007	1,055,000	—	1,055,000	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
Francis Lui Yiu Tung	17 Jan 2012	1,400,000	—	1,400,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	1,500,000	—	1,500,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	1,300,000	—	1,300,000	4.500	30 Sep 2015–29 Sep 2020
Paddy Tang Lui Wai Yu	27 Nov 2007	940,000	—	940,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	500,000	—	500,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
Alexander Lui Yiu Wah	27 Nov 2007	990,000	—	990,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
Moses Cheng Mo Chi	17 Jan 2012	200,000	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	160,000	4.500	30 Sep 2015–29 Sep 2020
Robin Chan Yau Hing	30 Sep 2014	160,000	—	160,000	4.500	30 Sep 2015–29 Sep 2020
William Yip Shue Lam	30 Sep 2014	160,000	—	160,000	4.500	30 Sep 2015–29 Sep 2020
Poon Chung Kwong*	21 Jan 2013	200,000	200,000	—	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	160,000	—	4.500	30 Sep 2015–29 Sep 2020
Au Man Chu	17 Jan 2012	200,000	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	160,000	4.500	30 Sep 2015–29 Sep 2020
Wong Kwai Lam	17 Jan 2012	200,000	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	160,000	4.500	30 Sep 2015–29 Sep 2020
Employees and others (in aggregate)	27 Nov 2007	2,238,000	64,000	2,174,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	105,000	50,000	55,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	160,000	—	160,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	5,058,000	500,000	4,558,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	6,180,000	400,000	5,780,000	4.500	30 Sep 2015–29 Sep 2020

\* Professor Poon Chung Kwong resigned as an independent non-executive Director and a member of the Audit Committee of the Company on 31 July 2015.



## Report of the Directors

No option was granted, exercised or cancelled during the year.

Except for the options granted on 24 January 2008 which vested on 27 November 2008, all other options granted are subject to a one-year vesting period.

Except for the Share Option Scheme, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire Shares in or debentures of the Company or any other body corporate.

### CONNECTED TRANSACTION

On 15 January 2016, 江門市嘉豐房地產開發有限公司 (an indirect wholly-owned subsidiary of the Company) as the vendor entered into four sale and purchase agreements with Dr. Lui Che-woo as the purchaser, being the Chairman and Managing Director of the Company and also a substantial shareholder of the Company, in respect of the sales of four residential units in The Summit which is situate at Pengjiang District, Jiangman City, Guangdong Province, Mainland China at an aggregate consideration of RMB11,775,888 (equivalent to approximately HK\$13,883,400) ("Total Consideration") which were expected to be completed before 10 January 2017 ("Sales").

As Dr. Lui Che-woo, the purchaser of the Sales, is the Chairman and Managing Director of the Company and also a substantial shareholder of the Company, he is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the Sales constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio (other than the profit ratio) calculated with reference to Rule 14.07 of the Listing Rules for the Total Consideration of the Sales exceeded 0.1% but was less than 5%, the Sales were subject to announcement and reporting requirements but were exempt from circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Details of the abovementioned connected transaction were included in the announcement of the Company dated 15 January 2016 and published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

### CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Company had the following continuing connected transactions, details of which are set out below:

1. The guarantee dated 5 March 1997 ("Guarantee") given by the Company in favour of the Government of the HKSAR in respect of Contract No. GE/96/10 for 17 years quarrying rights and rehabilitation of the quarry at Tai Sheung Tok Anderson Road, Kowloon to KWP Quarry Co. Limited ("KWP") (a subsidiary of Galaxy Entertainment Group Limited) was subsisting as at year-end. By virtue of the Second Supplementary Agreement and the Fourth Supplementary Agreement dated 5 May 2009 and 23 February 2016 respectively, both made between the Government of the HKSAR and KWP, the Guarantee was automatically further extended until 28 December 2016. Details of this continuing connected transaction were already disclosed in the announcement of the Company dated 10 November 2006. The Company has also referred to the Guarantee in its annual reports since 1997. No annual cap was involved.
2. On 27 October 2014, the Company as lessee and Polymate Co., Ltd. ("Polymate") (a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of a discretionary family trust established by Dr. Lui Che-woo and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the beneficiaries) as lessor had entered into of the master lease agreement ("Master Lease Agreement") in respect of the leasing and/or licensing of certain properties beneficially owned by the respective subsidiaries of Polymate for a term of 3-year period from 1 November 2014 to 31 October 2017 (both days inclusive) with the amount of annual rent payable by the relevant subsidiaries of the Company to the respective subsidiaries of Polymate subject to the annual caps fixed ("Annual Caps") for each corresponding financial year as disclosed in

the announcement of the Company dated 27 October 2014 (“Announcement”). For the year ended 31 December 2015, the aggregate annual rent of HK\$14,987,954 was paid and payable by the relevant subsidiaries of the Company under the Master Lease Agreement, which is within the Annual Caps. Details of the continuing connected transactions have been disclosed in the Announcement.

The entering into of the Master Lease Agreement had constituted as continuing connected transactions of the Company, but applicable percentage ratios are more than 0.1% but less than 5% and was therefore exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Board of Directors of the Company (including the independent non-executive Directors) had noted and approved the abovementioned continuing connected transactions. These continuing connected transactions have also been reviewed by the independent non-executive Directors of the Company who are not interested in any continuing connected transaction with the Company and they confirmed that these transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial term; and in accordance with the relevant agreements governing the respective transactions, on terms that are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The Company’s independent auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the HK Stock Exchange.

## PRE-EMPTIVE RIGHTS

There are no shareholders pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

## DIRECTORS’ COMPETING BUSINESS

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (collectively, the “Relevant Directors”), as either directly or indirectly through a discretionary family trust and other privately-owned companies, are deemed to be interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies (“Competing Business”) may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm’s length from, the Competing Business, given that the Company has a strong and independent Board with 5 out of 9 Directors being non-executive/independent non-executive Directors as at the date of this Report of the Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group’s interests are adequately safeguarded.

Save as disclosed above, there is no other competing business interest between the Directors and his/her respective close associates and the Group.

## SUFFICIENCY OF PUBLIC FLOAT

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

## Report of the Directors

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2015 Financial Statements, is shown on pages 8 to 9 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015:

- (1) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and
- (2) the aggregate amount of purchases (not including the purchases of items which were of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total of such purchases.

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

### MANAGEMENT CONTRACTS

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

### AUDITOR

The 2015 Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM.

On behalf of the Board

**Lui Che-woo**

*Chairman and Managing Director*

Hong Kong, 23 March 2016



# Independent Auditor's Report



羅兵咸永道

**To the shareholders of K. Wah International Holdings Limited**  
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of K. Wah International Holdings Limited (the "Company") and its subsidiaries set out on pages 66 to 130, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23 March 2016

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

# Consolidated Profit and Loss Statement

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	7	<b>4,720,487</b>	2,393,967
Cost of sales		<b>(1,679,851)</b>	(984,946)
Gross profit		<b>3,040,636</b>	1,409,021
Other operating income		<b>166,821</b>	288,536
Other net gains/(losses)		<b>163,228</b>	(11,671)
Other operating expenses		<b>(352,361)</b>	(172,099)
Administrative expenses		<b>(446,029)</b>	(442,473)
Fair value gain on transfer of development properties to investment properties	8	—	1,358,197
Change in fair value of investment properties		<b>113,528</b>	143,253
Finance costs	9	<b>(61,930)</b>	(21,799)
Share of profits of joint ventures		<b>76,286</b>	167,540
Share of profits/(losses) of associated companies		<b>115,166</b>	(11,212)
Profit before taxation	10	<b>2,815,345</b>	2,707,293
Taxation charge	14	<b>(1,368,223)</b>	(815,250)
Profit for the year		<b>1,447,122</b>	1,892,043
Attributable to:			
Equity holders of the Company		<b>1,366,754</b>	1,829,960
Non-controlling interests		<b>80,368</b>	62,083
		<b>1,447,122</b>	1,892,043
		<b>HK cents</b>	HK cents
Earnings per share	15		
Basic		<b>48.13</b>	65.69
Diluted		<b>48.06</b>	65.45

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>	<b>1,447,122</b>	1,892,043
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	<b>(3,127,818)</b>	(4,192,088)
Exchange differences arising from translation	<b>(1,212,769)</b>	(59,192)
Release of exchange reserve upon reduction of interest in subsidiaries	<b>(198,606)</b>	—
Other comprehensive loss for the year	<b>(4,539,193)</b>	(4,251,280)
<b>Total comprehensive loss for the year</b>	<b>(3,092,071)</b>	(2,359,237)
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the Company	<b>(3,090,610)</b>	(2,417,722)
Non-controlling interests	<b>(1,461)</b>	58,485
	<b>(3,092,071)</b>	(2,359,237)



# Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	500,680	553,866
Investment properties	18	7,829,881	8,127,845
Leasehold land and land use rights	19	15,904	17,555
Joint ventures	20	837,530	2,477,823
Associated companies	21	510,218	974,675
Non-current investment	22	3,972,735	7,100,553
Deferred taxation assets	33	100,048	36,455
Derivative financial instruments	32	846	2,644
Other non-current assets	23	85,613	41,886
		<b>13,853,455</b>	19,333,302
<b>Current assets</b>			
Development properties	24	26,395,780	22,547,104
Inventories		2,680	2,790
Amount due from a joint venture	20	—	228,260
Amounts due from associated companies	21	165,150	788,782
Debtors and prepayments	25	1,611,519	1,118,335
Taxes recoverable		198,018	112,763
Cash and bank deposits	26	4,337,042	6,038,760
		<b>32,710,189</b>	30,836,794
<b>Total assets</b>		<b>46,563,644</b>	50,170,096
<b>EQUITY</b>			
Share capital	27	283,959	278,715
Reserves	29	21,541,214	24,866,467
Shareholders' funds		<b>21,825,173</b>	25,145,182
Non-controlling interests		<b>1,511,587</b>	1,545,781
<b>Total equity</b>		<b>23,336,760</b>	26,690,963

## Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	30	<b>9,418,226</b>	13,244,026
Guaranteed notes	31	<b>2,706,597</b>	2,703,597
Derivative financial instruments	32	<b>17,302</b>	2,911
Deferred taxation liabilities	33	<b>1,645,558</b>	1,626,042
		<b>13,787,683</b>	17,576,576
<b>Current liabilities</b>			
Amounts due to joint ventures	20	<b>238,970</b>	1,789,263
Amount due to an associated company	21	<b>31,768</b>	27,085
Creditors and accruals	34	<b>1,432,662</b>	1,255,745
Pre-sales deposits		<b>5,404,066</b>	95,869
Current portion of borrowings	30	<b>459,791</b>	1,824,578
Taxes payable		<b>1,871,944</b>	910,017
		<b>9,439,201</b>	5,902,557
<b>Total liabilities</b>		<b>23,226,884</b>	23,479,133
<b>Total equity and liabilities</b>		<b>46,563,644</b>	50,170,096
<b>Net current assets</b>		<b>23,270,988</b>	24,934,237
<b>Total assets less current liabilities</b>		<b>37,124,443</b>	44,267,539

**Lui Che-woo**  
Chairman and Managing Director

**Paddy Tang Lui Wai Yu**  
Executive Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	35	3,287,601	(6,936,880)
Tax paid		(437,898)	(622,159)
Interest paid		(520,179)	(441,845)
Net cash generated from/(used in) operating activities		2,329,524	(8,000,884)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(16,447)	(6,454)
Acquisition of an investment property		—	(429,136)
Net changes in balances with joint ventures		(1,327,769)	227,998
Net changes in balances with associated companies		1,207,638	(62,795)
Decrease/(increase) in bank deposits		706,444	(749,254)
Proceeds from disposal of property, plant and equipment		16	—
Interest received		86,810	87,827
Dividend received from an associated company		300	390,056
Dividend received from a joint venture		1,722,525	750
Dividend income from non-current investment		68,243	186,857
Net cash generated from/(used in) investing activities		2,447,760	(354,151)
<b>Cash flows from financing activities</b>			
Issue of new shares		—	24,654
New long-term bank loans		4,461,962	16,374,470
Issue of guaranteed notes		—	992,937
Repayment of long-term bank loans		(9,509,364)	(9,295,566)
New short-term bank loans repayable after three months from date of advance		390,000	675,000
Repayment of short-term bank loans repayable after three months from date of advance		(560,000)	(655,000)
Acquisition of additional interests in a subsidiary from non-controlling interests		(9,110)	—
Capital contribution from non-controlling interests		100,967	27,637
Reduction of capital to non-controlling interests		(38,303)	—
Dividends paid to non-controlling interests		(86,287)	(15,534)
Dividends paid to shareholders		(242,942)	(85,175)
Net cash (used in)/generated from financing activities		(5,493,077)	8,043,423
<b>Net decrease in cash and cash equivalents</b>		<b>(715,793)</b>	<b>(311,612)</b>
Cash and cash equivalents at beginning of year		5,252,856	5,590,615
Changes in exchange rates		(235,829)	(26,147)
<b>Cash and cash equivalents at end of year</b>		<b>4,301,234</b>	<b>5,252,856</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>	<b>278,715</b>	<b>10,254,403</b>	<b>14,612,064</b>	<b>25,145,182</b>	<b>1,545,781</b>	<b>26,690,963</b>
<b>Comprehensive income</b>						
Profit for the year	—	—	1,366,754	1,366,754	80,368	1,447,122
<b>Other comprehensive loss</b>						
Other comprehensive loss for the year	—	(4,457,364)	—	(4,457,364)	(81,829)	(4,539,193)
<b>Transactions with equity holders</b>						
Fair value of share options	—	13,543	—	13,543	—	13,543
Lapse of share options	—	(1,270)	1,270	—	—	—
Shares issued as scrip dividends	5,244	(5,244)	—	—	—	—
Reserve arising on scrip dividends	—	—	175,954	175,954	—	175,954
Acquisition of additional interest in a subsidiary from non-controlling interests	—	—	—	—	(9,110)	(9,110)
Capital contribution from non-controlling interests	—	—	—	—	100,967	100,967
Reduction of capital to non-controlling interests	—	—	—	—	(38,303)	(38,303)
Dividends	—	—	(418,896)	(418,896)	(86,287)	(505,183)
<b>At 31 December 2015</b>	<b>283,959</b>	<b>5,804,068</b>	<b>15,737,146</b>	<b>21,825,173</b>	<b>1,511,587</b>	<b>23,336,760</b>
At 1 January 2014	271,215	14,480,325	12,867,213	27,618,753	1,475,193	29,093,946
<b>Comprehensive income</b>						
Profit for the year	—	—	1,829,960	1,829,960	62,083	1,892,043
<b>Other comprehensive loss</b>						
Other comprehensive loss for the year	—	(4,247,682)	—	(4,247,682)	(3,598)	(4,251,280)
<b>Transactions with equity holders</b>						
Fair value of share options	—	4,672	—	4,672	—	4,672
Issue of shares upon exercise of share options	623	24,031	—	24,654	—	24,654
Lapse of share options	—	(66)	66	—	—	—
Shares issued as scrip dividends	6,877	(6,877)	—	—	—	—
Reserve arising on scrip dividends	—	—	324,457	324,457	—	324,457
Capital contribution from non-controlling interests	—	—	—	—	27,637	27,637
Dividends	—	—	(409,632)	(409,632)	(15,534)	(425,166)
At 31 December 2014	278,715	10,254,403	14,612,064	25,145,182	1,545,781	26,690,963



# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

K. Wah International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong, Mainland China and Singapore.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 23 March 2016.

## 2 BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with all applicable HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2014, except as stated below.

### The adoption of revised HKFRSs

In 2015, the Group adopted the following amendments to standards, which are relevant to its operations.

HKAS 19 (Amendment)	Defined Benefit Plan: Employee Benefits — Employee Contributions
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#### Annual Improvements to HKFRSs 2010–2012 Cycle

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 24 (Amendment)	Related Party Disclosures
HKAS 38 (Amendment)	Intangible Assets
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 8 (Amendment)	Operating Segments

#### Annual Improvements to HKFRSs 2011–2013 Cycle

HKAS 40 (Amendment)	Investment Property
HKFRS 3 (Amendment)	Business Combinations
HKFRS 13 (Amendment)	Fair Value Measurement

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

## 2 BASIS OF PREPARATION (cont'd)

### New standards and amendments to existing standards that are not yet effective

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Presentation of Financial Statements — Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities — Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Joint Arrangement — Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to HKFRSs 2012–2014 Cycle		1 January 2016

The Group is not yet in a position to state whether the adoption of the above new standards and amendments to standards will result in substantial changes to the Group's accounting policies and presentation of the consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out below.

### 3.1 Consolidation

#### (a) *Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.1 Consolidation (cont'd)

##### (a) *Subsidiaries (cont'd)*

###### (i) *Business combinations*

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

###### (ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.1 Consolidation (cont'd)

##### (a) *Subsidiaries (cont'd)*

###### (iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

###### (iv) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets including goodwill.

##### (b) *Associated companies*

Associated companies are entities over which the Group has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of its associated companies post-acquisition profits or losses is recognised in the consolidated profit and loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.



## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.1 Consolidation (cont'd)

##### (b) *Associated companies (cont'd)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the consolidated profit and loss statement.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated profit and loss statement.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate.

##### (c) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the interest in the joint ventures held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### 3.3 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 3.4 Property, plant and equipment

Land and buildings comprise mainly offices and hotel building. Leasehold land classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

The carrying amount of the replaced asset is derecognised. All other repairs and maintenance costs are charged to the profit and loss statement during the financial period in which they are incurred.

All direct and indirect costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalised as the costs of the assets.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Buildings (including hotel building) on leasehold land are depreciated over their shorter useful life or respective lease periods using the straight-line method. No depreciation is provided on assets under construction. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Hotel building	20 years
Land and buildings	Shorter of remaining lease term or useful life
Plant and machinery	10 years
Other assets	3 to 10 years

## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.4 Property, plant and equipment (cont'd)

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss statement.

#### 3.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property principally comprises freehold land, land held under operating leases and buildings held under finance leases. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating leases concerned are accounted for as if it were finance leases.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuers. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss statement during the financial period in which they are incurred.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.5 Investment properties (cont'd)

Changes in fair values of investment property are recognised in the profit and loss statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use rights if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in other comprehensive income as revaluation reserves of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this write-back is recognised in the profit and loss statement. This revaluation reserve shall remain and be transferred to retained earnings upon disposal of this property.

If a development property becomes an investment property when there is a change in use, any difference resulting between the fair value of the property at that date and its previous carrying amount is recognised in the profit or loss statement.

#### 3.6 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation, but are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.



## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.7 Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivable, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be settled within twelve months of the balance sheet date.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

##### (b) *Loans and receivable*

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the balance sheet date and are classified as non-current assets.

##### (c) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current investments unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss statement and subsequently carried at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments are initially recognised at fair value plus transaction cost and subsequently carried at fair value. Loans and receivable are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.7 Financial assets (cont'd)

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss statement in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from the financial assets. Dividends on available-for-sale equity instruments are recognised in the profit and loss statement as part of other income when the Group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial assets below its cost is also evidenced that the financial assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognised in the profit and loss statement is removed from equity and recognised in the profit and loss statement. Impairment losses recognised in the profit and loss statement on equity investments are not reversed through the profit and loss statement.

#### 3.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative is classified as a non-current asset or liability when the remaining maturity is more than twelve months, and as a current asset or liability when the remaining maturity of the contract is less than twelve months. Changes in fair value of derivatives are recognised in the consolidated profit and loss statement.

## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Development properties

Development properties comprise leasehold land and land use rights, construction costs, an appropriate proportion of overhead expenditure and borrowing costs incurred during the construction period, less provisions for impairment. Development properties are carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated costs to completion.

Development properties are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 3.10 Inventories

Inventories comprise primarily operating supplies, food and beverages, engineering spare parts and guest supplies. Operating supplies, food and beverages are stated at the lower of cost and net realisable value. Engineering spare parts and guest supplies are stated at lower of cost and net realisable value and expensed when consumed. Costs are assigned to individual items on the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 3.11 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or other financial reorganisation and default or delinquency in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the profit and loss statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited against other operating income in the profit and loss statement.

If the collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

#### 3.12 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and company balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### 3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Borrowings and guaranteed notes

Borrowings and guaranteed notes are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability including fees and commissions to agents, advisers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Borrowings and guaranteed notes are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings and guaranteed notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

#### 3.15 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade creditors are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### 3.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the Group has substantially of all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit and loss statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### 3.17 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.17 Provisions (cont'd)

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 3.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.18 Current and deferred taxation (cont'd)

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

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

#### 3.19 Employee benefits

##### (a) *Employee entitlements, benefits and bonuses*

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

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

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

##### (b) *Share-based compensation*

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

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

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.19 Employee benefits (cont'd)

##### (b) *Share-based compensation (cont'd)*

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

#### 3.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sales. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualified assets is deducted from the borrowing costs eligible for capitalisation.

#### 3.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and is shown, net of value-added tax, business tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities of the Group have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

##### (a) *Sales of properties*

Sales of properties in the ordinary course of business are recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to the buyers;

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.21 Revenue recognition (cont'd)

##### (a) *Sales of properties (cont'd)*

- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as pre-sales deposits of properties under current liabilities.

##### (b) *Rental income*

Rental income net of any incentives given to the lessees is recognised over the periods of the respective leases on a straight-line basis.

##### (c) *Hotel operation income*

Hotel operation income is recognised when the services are rendered.

##### (d) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the outstanding principal amounts and the applicable interest rates.

##### (e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

#### 3.22 Foreign currencies

##### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional currency and the Group's presentation currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.



## Notes to the Consolidated Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.22 Foreign currencies (cont'd)

##### (b) *Transactions and balances (cont'd)*

Foreign exchange gains and losses are presented in the profit and loss statement within 'Other net gains/losses'. Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity.

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale investments are included in the investment reserve in other comprehensive income.

##### (c) *Group companies*

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
- (ii) income and expenses for each profit and loss statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the balance sheet date. Exchange differences arising are recognised in other comprehensive income.

##### (d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.22 Foreign currencies (cont'd)

##### (d) *Disposal of foreign operation and partial disposal (cont'd)*

In the case of a partial disposal resulting in a reduction of the Group's absolute ownership interest in a foreign entity, such as repayment of loans that form part of the Group's net investment in the foreign entity or return of capital of the entity without any change in the Group's proportionate percentage shareholding in the foreign entity, the proportionate share of the accumulated exchange differences are transferred out of the exchange reserve and are recognised in the profit or loss.

#### 3.23 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the balance sheet date, the Group recognised the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers, guarantees provided to its joint ventures and associates companies as insurance contracts.

#### 3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## 4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The property industry is sensitive to the economic environment in Hong Kong and Mainland China, which will affect the volumes and selling prices of property transactions. The Group mainly relies on sales of properties, renewal of bank borrowings and issuance of guaranteed notes to fund its operations.

Risk management is carried out by the management of the Group under the supervision of the Board of Directors. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group. The Board of Directors provides guidance for overall risk management.

## Notes to the Consolidated Financial Statements

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### 4.1 Financial risk factor

##### 4.1.1. Market risk

###### (i) Foreign exchange risk

The Group operates in Hong Kong, Mainland China and Singapore and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB").

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the entities in the Group.

Except for Hong Kong dollar borrowings for entities in Mainland China, all the Group's borrowings are denominated in the functional currency of the entities to minimise the foreign currency risk.

The Group would also consider entering into forward foreign exchange contracts to reduce foreign exchange risk exposure where necessary. The Group does not hedge any net investments in foreign operations.

At 31 December 2015, if Hong Kong dollar had weakened or strengthened by 3% (2014: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been higher or lower by approximately HK\$8 million (2014: HK\$6 million) mainly as a result of foreign exchange gains/losses arising from borrowings and cash at banks.

###### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank loans.

The interest rate risk arises from borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk.

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments.

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. At 31 December 2015, if interest rates had been increased or decreased by 1% (2014: 1%) with all other variables held constant, the profit before taxation for the year (before capitalisation) would decrease or increase by approximately HK\$57 million (2014: HK\$92 million) mainly as a result of higher or lower interest expenses.

## 4 FINANCIAL RISK MANAGEMENT (cont'd)

### 4.1 Financial risk factor (cont'd)

#### 4.1.1. Market risk (cont'd)

##### (iii) Price risk

The Group is exposed to equity securities price risk through investments held by the Group classified as available-for-sale investments which are publicly traded.

At 31 December 2015, if the share price of the available-for-sale investments had been increased or decreased by 10% (2014: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$397 million (2014: HK\$710 million).

#### 4.1.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, bank deposits, amounts due from joint ventures and associated companies.

The Group has policies in place to ensure that sales of properties, goods and services are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors and loan receivable on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In respect of credit exposures to customers for sales of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sales transactions. With regard to credit exposure to customers for rental of properties, the Group also receives rental payments in advance with sufficient initial rental deposits to cover potential default in future rental payments. The Group monitors the credibility of joint ventures and associated companies continuously.

At each balance sheet date, the Group reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts.

The credit risk on liquid funds is limited because around 69% (2014: 88%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 31% (2014: 12%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank. Management does not expect any losses from non-performance of these banks.

#### 4.1.3. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. It prepares cash flow forecasts to assess funding needs on a regular basis and, if necessary, obtains financing to meet the funding requirement.



## Notes to the Consolidated Financial Statements

## 4 FINANCIAL RISK MANAGEMENT (cont'd)

## 4.1 Financial risk factor (cont'd)

## 4.1.3. Liquidity risk (cont'd)

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby credit facilities are obtained from banks to provide contingent liquidity support. As at 31 December 2015, the Group's total undrawn facilities amounted to HK\$13.7 billion (2014: HK\$13.8 billion).

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting the construction progress of development properties, implementing cost control measures and accelerating sales with more flexible pricing. The Group will, base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

The contractual maturity of the Group for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay and include both interest and principal, is set out below.

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2015</b>					
Borrowing	670,992	1,878,836	8,044,578	—	10,594,406
Guaranteed notes	133,376	1,639,868	134,190	1,074,718	2,982,152
Net settled derivative financial instruments	5,217	1,008	—	—	6,225
Gross settled derivative financial instruments					
— inflow	—	(1,547,388)	—	—	(1,547,388)
— outflow	—	1,555,700	—	—	1,555,700
Trade creditors	972,932	—	—	—	972,932
Other creditors and accruals	323,103	—	—	—	323,103
Amounts due to joint ventures	238,970	—	—	—	238,970
Amounts due to an associated company	31,768	—	—	—	31,768
Amounts due to non-controlling interest	5,506	—	—	—	5,506
<b>Total</b>	<b>2,381,864</b>	<b>3,528,024</b>	<b>8,178,768</b>	<b>1,074,718</b>	<b>15,163,374</b>
<b>At 31 December 2014</b>					
Borrowings	2,192,752	3,298,054	10,805,134	—	16,295,940
Guaranteed notes	132,945	134,192	1,735,742	1,119,448	3,122,327
Net settled derivative financial instruments	7,413	924	—	—	8,337
Gross settled derivative financial instruments					
— inflow	—	—	(1,552,806)	—	(1,552,806)
— outflow	—	—	1,555,700	—	1,555,700
Trade creditors	914,919	—	—	—	914,919
Other creditors and accruals	212,860	—	—	—	212,860
Amounts due to joint ventures	1,789,263	—	—	—	1,789,263
Amounts due to an associated company	27,085	—	—	—	27,085
Amounts due to non-controlling interest	5,847	—	—	—	5,847
<b>Total</b>	<b>5,283,084</b>	<b>3,433,170</b>	<b>12,543,770</b>	<b>1,119,448</b>	<b>22,379,472</b>

Note:

The table above excludes guarantees executed by the Group as management considers the likely crystallisation of the guarantees to be as minimal.

Interest on borrowings and guaranteed notes are calculated on balances held as at 31 December 2015 and 2014. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

## 4 FINANCIAL RISK MANAGEMENT (cont'd)

### 4.2 Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of borrowings and equity.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net borrowings to total equity. Net borrowings is calculated as total borrowings, including current, non-current borrowings and guaranteed notes, less cash and bank deposits.

The gearing ratio is calculated as follows:

	2015 HK\$'000	2014 HK\$'000
Total borrowings	<b>12,584,614</b>	17,772,201
Less: Cash and bank deposits	<b>(4,337,042)</b>	(6,038,760)
Net borrowings	<b>8,247,572</b>	11,733,441
Total equity	<b>23,336,760</b>	26,690,963
Gearing ratio	<b>35%</b>	44%

### 4.3 Fair value estimation

The disclosure of fair value measurements of financial instruments carried at fair value by level in the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2015 and 31 December 2014, the Group had no Level 3 financial instruments, the only Level 1 financial instrument that are measured at fair value represents the non-current investment (note 22) and Level 2 financial instruments that are measured at fair value represents derivative financial instruments (note 32).

## Notes to the Consolidated Financial Statements

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### 4.3 Fair value estimation (cont'd)

##### (a) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Hong Kong listed equity investments classified as available-for-sale investment.

##### (b) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in Level 2.

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

The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, balances with joint ventures and associated companies, debtors, bank balances, creditors and current borrowings are assumed to approximate their fair values.

See note 18 for disclosures of the investment properties that are measured within level 3 of the fair value hierarchy.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

### (a) Current and deferred taxation and land appreciation tax

Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such difference will impact the provision for current and deferred taxation in the financial period in which such determination is made.

The Group is subject to land appreciation tax in Mainland China. However, the actual implementation of this tax is uncertain and varies amongst local tax authorities. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related tax provision. The Group recognises land appreciation tax based on best estimates according to the understanding of the tax rules. The final taxation outcome could be different from the amounts that were initially recorded, and these differences will impact the provision for taxation in the financial period in which such determination is made.

Deferred taxation assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (b) Fair values of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.



## Notes to the Consolidated Financial Statements

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

#### (b) Fair values of investment properties (cont'd)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using valuation techniques as disclosed in note 18. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

#### (c) Share-based payments

The fair value of option granted is estimated by an independent professional valuer based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

#### (d) Provision for development properties

The Group assesses the carrying amounts of properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

#### (e) Impairment of non-financial assets

The Group tests at each balance sheet date whether assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

#### (f) Recoverability of other non-current assets, debtors and prepayments

The Group assess whether there is objective evidence that other non-current assets, debtors and prepayment are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these non-current assets, debtors and prepayment will impact the amount of impairment required.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

### (g) Revenue recognition

The Group has recognised revenue from the sale of properties held for sales as disclosed in note 7 according to the accounting policy as stated in note 3.21 to the consolidated financial statements. The assessment of when the Group has transferred the significant risks and rewards of ownership to buyers and whether it is probable that future economic benefit will flow to the Group requires the use of judgment. In making this judgment, the Group evaluates the circumstances of the transaction, the terms under the sales and purchase agreement and settlement status of consideration.

### (h) Financial implication of regulation of idle land

Under the People's Republic of China ("PRC") laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land. Judgment is required in assessing whether these tracts of land will be subject to the penalty of idle land and thereby resulting in any financial impact to the Group. In making this judgment, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

## 6 SEGMENT INFORMATION

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

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

## Notes to the Consolidated Financial Statements

## 6 SEGMENT INFORMATION (cont'd)

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

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2015</b>						
Revenue	920	4,262,982	—	351,081	105,504	4,720,487
Adjusted EBITDA	17,543	2,519,652	(3,169)	324,875	(221,357)	2,637,544
Other income and expenses/gains, net						(22,312)
Depreciation and amortisation						(42,937)
Change in fair value of investment properties				113,528		113,528
Finance costs						(61,930)
Share of profits/(losses) of joint ventures	76,536	(250)				76,286
Share of profits of associated companies	115,166					115,166
Profit before taxation						2,815,345
Taxation charge						(1,368,223)
Profit for the year						1,447,122
<b>As at 31 December 2015</b>						
Segment assets	13,026,066	19,168,668	311,183	7,976,587	—	40,482,504
Other assets	—	—	—	—	4,568,242	4,568,242
Joint ventures	837,043	487	—	—	—	837,530
Associated companies	675,368	—	—	—	—	675,368
Total assets	14,538,477	19,169,155	311,183	7,976,587	4,568,242	46,563,644
Total liabilities	9,080,935	12,517,864	716	1,566,837	60,532	23,226,884

## 6 SEGMENT INFORMATION (cont'd)

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2014						
Revenue	295,029	1,673,238	—	315,276	110,424	2,393,967
Adjusted EBITDA	180,478	733,808	(3,575)	290,996	(191,710)	1,009,997
Other income and expenses/losses, net						104,766
Depreciation and amortisation						(43,449)
Fair value gain on transfer of development properties to investment properties				1,358,197		1,358,197
Change in fair value of investment properties				143,253		143,253
Finance costs						(21,799)
Share of profits/(losses) of joint ventures	169,935	(2,395)				167,540
Share of losses of associated companies	(11,212)					(11,212)
Profit before taxation						2,707,293
Taxation charge						(815,250)
Profit for the year						1,892,043
As at 31 December 2014						
Segment assets	9,878,556	18,909,485	333,099	8,470,559	—	37,591,699
Other assets	—	—	—	—	8,108,857	8,108,857
Joint ventures	2,709,139	(3,056)	—	—	—	2,706,083
Associated companies	1,763,457	—	—	—	—	1,763,457
Total assets	14,351,152	18,906,429	333,099	8,470,559	8,108,857	50,170,096
Total liabilities	9,922,964	11,944,568	281	1,541,504	69,816	23,479,133
<b>Year ended 31 December 2015</b>						
Additions to non-current assets	—	5,125	115	—	11,207	16,447
Year ended 31 December 2014						
Additions to non-current assets	—	3,264	713	429,136	2,477	435,590

### Geographical segment information

The Group operates in three (2014: three) main geographical areas, including Hong Kong, Mainland China and Singapore.



## Notes to the Consolidated Financial Statements

### 6 SEGMENT INFORMATION (cont'd)

The revenue for the years ended 31 December 2015 and 2014 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2015 and 2014 by geographical area are as follows:

#### Revenue

	2015 HK\$'000	2014 HK\$'000
Hong Kong	42,875	327,519
Mainland China	4,677,612	2,066,448
Singapore	—	—
	<b>4,720,487</b>	2,393,967

#### Non-current assets

	2015 HK\$'000	2014 HK\$'000
Hong Kong	1,236,953	1,257,365
Mainland China	7,109,120	7,441,380
Singapore	392	521
	<b>8,346,465</b>	8,699,266

### 7 REVENUE

	2015 HK\$'000	2014 HK\$'000
Sale of properties	4,263,902	1,968,267
Rental income	351,081	315,276
Hotel operations	105,504	110,424
	<b>4,720,487</b>	2,393,967

### 8 FAIR VALUE GAIN ON TRANSFER OF DEVELOPMENT PROPERTIES TO INVESTMENT PROPERTIES

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

## 9 FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	<b>622,397</b>	526,734
Capitalised as cost of properties under development	<b>(560,467)</b>	(504,935)
	<b>61,930</b>	21,799

The capitalisation rates applied to funds borrowed generally and used for the development of properties are from 1% to 6% per annum (2014: 1% to 5% per annum).

## 10 PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	<b>79,262</b>	88,501
Interest income from mortgage loans	<b>467</b>	151
Dividend income from non-current investment	<b>68,243</b>	186,857
Release of exchange reserve upon reduction of interest in subsidiaries	<b>198,606</b>	—
and after charging:		
Cost of properties sold	<b>1,612,973</b>	915,062
Cost of inventories consumed/sold	<b>22,359</b>	23,243
Selling and marketing expenses	<b>326,415</b>	131,408
Depreciation (net of amount capitalised under properties under development of HK\$370,000 (2014: HK\$566,000))	<b>42,808</b>	43,318
Amortisation for leasehold land and land use rights	<b>129</b>	131
Auditors' remuneration to the auditor of the Company		
Audit services		
Provision for the year	<b>4,165</b>	3,997
(Over)/under-provision for prior years	<b>(24)</b>	256
Non-audit services	<b>762</b>	1,001
Loss on disposal of property, plant and equipment	<b>491</b>	21
Operating lease rental for land and buildings	<b>8,607</b>	7,896
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	<b>8,884</b>	7,076
Direct operating expense of investment properties that did not generate rental income	<b>5,504</b>	247
Net fair value losses on derivative financial instruments	<b>16,189</b>	10,684
Net exchange losses	<b>18,698</b>	1,105

## Notes to the Consolidated Financial Statements

## 11 EMPLOYEE BENEFIT EXPENSES

	2015 HK\$'000	2014 HK\$'000
Staff costs including directors' emoluments	<b>340,459</b>	359,755
Pension costs — defined contribution plans	<b>22,777</b>	21,665
Share options granted to directors and employees	<b>13,543</b>	4,672
	<b>376,779</b>	386,092
Less: Amount capitalised under properties under development	<b>(76,221)</b>	(71,182)
	<b>300,558</b>	314,910

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

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to those plans at rates ranging from 12% to 21% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

During the year, forfeitures contributions of HK\$606,000 (2014: HK\$671,000) were utilised, leaving HK\$193,000 (2014: HK\$nil) available at the balance sheet date to reduce future contributions.

## 12 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

Name	(note i)		(note ii)			Estimated money value of other benefits (note iii) HK\$'000	Total HK\$'000
	Directors' fee HK\$'000	Estimated money value of other benefits (note iii) HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000		
<b>2015</b>							
Lui Che-woo	300	—	11,624	1,391	1,221	2,288	16,824
Francis Lui Yiu Tung	160	—	1,436	172	144	1,102	3,014
Paddy Tang Lui Wai Yu	160	—	6,345	759	635	2,288	10,187
Alexander Lui Yiu Wah	160	—	8,627	1,032	863	2,288	12,970
Robin Chan Yau Hing	160	136	—	—	—	—	296
William Yip Shue Lam	410	136	—	—	—	—	546
Moses Cheng Mo Chi	160	136	—	—	—	—	296
Poon Chung Kwong (iv)	280	—	—	—	—	—	280
Au Man Chu	280	136	—	—	—	—	416
Wong Kwai Lam	260	136	—	—	—	—	396
	<b>2,330</b>	<b>680</b>	<b>28,032</b>	<b>3,354</b>	<b>2,863</b>	<b>7,966</b>	<b>45,225</b>
<b>2014</b>							
Lui Che-woo	290	—	11,124	2,624	1,171	763	15,972
Francis Lui Yiu Tung	150	—	1,374	216	137	367	2,244
Paddy Tang Lui Wai Yu	150	—	6,072	1,380	607	763	8,972
Alexander Lui Yiu Wah	150	—	8,255	1,298	826	763	11,292
Robin Chan Yau Hing	150	45	—	—	—	—	195
William Yip Shue Lam	390	45	—	—	—	—	435
Moses Cheng Mo Chi	150	45	—	—	—	—	195
Poon Chung Kwong	260	45	—	—	—	—	305
Au Man Chu	260	45	—	—	—	—	305
Wong Kwai Lam	250	45	—	—	—	—	295
	<b>2,200</b>	<b>270</b>	<b>26,825</b>	<b>5,518</b>	<b>2,741</b>	<b>2,656</b>	<b>40,210</b>

Certain comparative information for 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings. The discretionary bonuses paid in 2015 were in relation to performance and services for 2014.
- (iii) Other benefits represented share options granted to the Directors under the share option scheme of the Company. The value represented the fair value of these options charged to the profit and loss statement for the year in accordance with the accounting policies of the Group.
- (iv) Professor Poon Chung Kwong resigned as an independent non-executive Director and a member of the Audit Committee of the Company on 31 July 2015.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.



## Notes to the Consolidated Financial Statements

### 12 BENEFITS AND INTERESTS OF DIRECTORS (cont'd)

#### (b) Directors' material interests in transactions, arrangements or contracts

Pursuant to a guarantee dated 5 March 1997, the Company had given corporate guarantee in favour of the HKSAR Government in respect of the contract for quarrying rights and rehabilitation of the quarry at Tai Sheung Tok Anderson Road to KWP Quarry Co. Limited ("KWP"). KWP is a subsidiary of Galaxy Entertainment Group Limited, which the substantial shareholder is the trustee of a discretionary family trust ("Trust") established by Dr. Lui Che-woo and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the beneficiaries. Pursuant to a master lease agreement dated 27 October 2014 made between the Company and Polymate Co., Ltd ("Polymate"), an aggregated annual rent of HK\$14,988,000 for the year ended 31 December 2015 (2014: HK\$1,556,000) was paid to Polymate, which is a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of the Trust.

Save for the aforementioned contract and arrangement, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. (2014: nil)

### 13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) Directors. The emoluments of the five individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	34,958	34,848
Pension cost — defined contribution plans	2,931	2,809
Discretionary bonuses	4,470	6,978
Share options granted	7,289	2,543
	<b>49,648</b>	47,178

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2015	2014
HK\$4,500,001–HK\$5,000,000	1	1
HK\$5,000,001–HK\$5,500,000	1	—
HK\$6,000,001–HK\$6,500,000	—	1
HK\$8,500,001–HK\$9,000,000	—	1
HK\$10,000,001–HK\$10,500,000	1	—
HK\$11,000,001–HK\$11,500,000	—	1
HK\$12,500,001–HK\$13,000,000	1	—
HK\$15,500,001–HK\$16,000,000	—	1
HK\$16,500,001–HK\$17,000,000	1	—
	<b>5</b>	5

## 14 TAXATION CHARGE

	2015 HK\$'000	2014 HK\$'000
Current		
Hong Kong profits tax	3,659	6,845
Mainland China		
— Income tax	433,171	198,389
— Land appreciation tax	931,329	191,492
Overseas	126	32
Over-provision in previous years	(40,623)	(2,722)
Deferred (note 33)	40,561	421,214
	<b>1,368,223</b>	815,250

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates. There is no income tax provided on other comprehensive income.

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

The taxation charge on the profit before taxation differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	2,815,345	2,707,293
Share of profits of joint ventures	(76,286)	(167,540)
Share of (profits)/losses of associated companies	(115,166)	11,212
	<b>2,623,893</b>	2,550,965
Tax calculated at applicable tax rates	668,547	624,634
Income not subject to taxation	(62,928)	(52,056)
Expenses not deductible for taxation purposes	38,268	51,775
Recognition and utilisation of previously unrecognised tax losses	(31,130)	(7,801)
Tax loss not recognised	50,194	37,436
Land appreciation tax deductible for calculation of income tax	(232,832)	(47,873)
Over-provision in previous years	(40,623)	(2,722)
	<b>389,496</b>	603,393
Withholding tax	47,398	20,365
Land appreciation tax	931,329	191,492
Taxation charge	<b>1,368,223</b>	815,250

## Notes to the Consolidated Financial Statements

**15 EARNINGS PER SHARE**

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

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Profit attributable to equity holders of the Company	<b>1,366,754</b>	1,829,960
	<b>Number of shares</b>	
	<b>2015</b>	2014
Weighted average number of shares for calculating basic earnings per share	<b>2,839,597,000</b>	2,785,931,000
Effect of dilutive potential ordinary shares — Share options	<b>4,223,000</b>	9,910,000
Weighted average number of shares for calculating diluted earnings per share	<b>2,843,820,000</b>	2,795,841,000

**16 DIVIDENDS**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interim scrip dividend (with a cash option) of 5 HK cents (2014: Interim scrip dividend (with a cash option) of 5 HK cents) per share	<b>140,181</b>	137,923
Proposed final scrip dividend (with a cash option) of 12 HK cents (2014: final scrip dividend (with a cash option) of 10 HK cent) per share	<b>340,752</b>	278,715
	<b>480,933</b>	416,638
The dividends have been settled by cash as follows:		
Interim	<b>31,914</b>	18,037
Final	<b>—</b>	211,029
	<b>31,914</b>	229,066

The Board of Directors recommended the payment of final scrip dividend (with a cash option) in respect of 2015 of 12 HK cents (2014: final scrip dividend (with a cash option) of 10 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2016.

## 17 PROPERTY, PLANT AND EQUIPMENT

	Hotel building HK\$'000	Land and buildings HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2014	445,129	180,648	32,185	111,191	769,153
Exchange differences	(1,523)	(229)	(110)	(213)	(2,075)
Additions	65	—	28	6,361	6,454
Disposals	—	—	—	(566)	(566)
At 31 December 2014	443,671	180,419	32,103	116,773	772,966
Exchange differences	(25,900)	(3,892)	(1,874)	(3,827)	(35,493)
Additions	126	—	6	16,315	16,447
Disposals	—	—	—	(6,912)	(6,912)
<b>At 31 December 2015</b>	<b>417,897</b>	<b>176,527</b>	<b>30,235</b>	<b>122,349</b>	<b>747,008</b>
<b>Accumulated depreciation</b>					
At 1 January 2014	50,741	35,186	13,484	76,558	175,969
Exchange differences	(78)	(16)	(23)	(92)	(209)
Charge for the year	21,455	3,226	5,223	13,980	43,884
Disposals	—	—	—	(544)	(544)
At 31 December 2014	72,118	38,396	18,684	89,902	219,100
Exchange differences	(5,062)	(567)	(1,295)	(2,621)	(9,545)
Charge for the year	21,770	3,199	5,220	12,989	43,178
Disposals	—	—	—	(6,405)	(6,405)
<b>At 31 December 2015</b>	<b>88,826</b>	<b>41,028</b>	<b>22,609</b>	<b>93,865</b>	<b>246,328</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>329,071</b>	<b>135,499</b>	<b>7,626</b>	<b>28,484</b>	<b>500,680</b>
At 31 December 2014	371,553	142,023	13,419	26,871	553,866

Hotel building and land and buildings with carrying values of HK\$464,570,000 (2014: HK\$513,576,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

## Notes to the Consolidated Financial Statements

## 18 INVESTMENT PROPERTIES

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
At 1 January 2014	650,400	4,485,118	5,135,518
Transfer from development properties	—	1,070,899	1,070,899
Exchange differences	—	(9,158)	(9,158)
Fair value gain on transfer of development properties to investment properties (note 8)	—	1,358,197	1,358,197
Change in fair value	86,464	56,789	143,253
Additions	429,136	—	429,136
At 31 December 2014	1,166,000	6,961,845	8,127,845
Exchange differences	—	(411,492)	(411,492)
Change in fair value	(18,000)	131,528	113,528
<b>At 31 December 2015</b>	<b>1,148,000</b>	<b>6,681,881</b>	<b>7,829,881</b>

(a) Investment properties were valued at 31 December 2015 on an open market value basis by DTZ Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professional valuers.

(b) Investment properties with carrying values of HK\$4,387,778,000 (2014: HK\$6,961,845,000) were pledged to secure the banking facilities of the Group.

**(c) Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers and reports directly to senior management of the Group. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each financial year end the finance department:

- Verifies major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.



## 18 INVESTMENT PROPERTIES (cont'd)

### (d) Valuation technique

#### *Fair value measurements using significant unobservable inputs*

Fair values of completed residential and commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements of completed residential and commercial properties using significant unobservable inputs is as follows:

	<b>Residential Properties Mainland China</b>	<b>Commercial Properties Hong Kong</b>	<b>Commercial Properties Mainland China</b>
<b>2015</b>			
Rental value (HK\$/sm/month)	<b>327 to 360</b>	<b>614 to 1,830</b>	<b>61 to 716</b>
Capitalisation rate (%)	<b>3.50</b>	<b>3.25 to 4.00</b>	<b>5.65 to 9.00</b>
<b>2014</b>			
Rental value (HK\$/sm/month)	356 to 387	484 to 1,850	63 to 779
Capitalisation rate (%)	3.50	3.25 to 4.00	6.00 to 9.00

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalisation and discount rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

## Notes to the Consolidated Financial Statements

## 19 LEASEHOLD LAND AND LAND USE RIGHTS

	2015 HK\$'000	2014 HK\$'000
At beginning of year	17,555	17,558
Exchange differences	(1,522)	128
Amortisation for the year	(129)	(131)
At end of year	<b>15,904</b>	17,555

Leasehold land and land use rights with carrying values of HK\$15,904,000 (2014: HK\$17,555,000) were pledged to secure the banking facilities of the Group.

## 20 JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	<b>746,126</b>	2,392,155
Amounts due from joint ventures	<b>91,404</b>	85,668
	<b>837,530</b>	2,477,823

The share of the aggregate amounts of the assets, liabilities and results of the joint ventures, all of which are unlisted, attributable to the Group is as follows:

	2015 HK\$'000	2014 HK\$'000
Assets	<b>1,020,306</b>	2,976,999
Liabilities	<b>(274,180)</b>	(584,844)
Net assets	<b>746,126</b>	2,392,155
Revenue	<b>309,321</b>	379,760
Profit after taxation	<b>76,286</b>	167,540
Other comprehensive income/(loss)	<b>212</b>	(7)
Total comprehensive income	<b>76,498</b>	167,533

Amounts due from joint ventures classified as non-current assets are unsecured, non-interest bearing and will not be repayable within next 12 months. Amounts due from/to joint ventures classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single joint venture material to the Group.

## 20 JOINT VENTURES (cont'd)

Details of joint ventures of the Group are given in note 40(b). There are no contingent liabilities relating to the Group's interest in the joint venture as at 31 December 2015 and 31 December 2014.

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

## 21 ASSOCIATED COMPANIES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	460,802	345,936
Amounts due from associated companies	49,416	628,739
	<b>510,218</b>	974,675

The share of the aggregate amounts of the assets, liabilities and results of the associated companies, all of which are unlisted, attributable to the Group is as follows:

	2015 HK\$'000	2014 HK\$'000
Assets	2,556,388	2,898,184
Liabilities	(2,095,586)	(2,552,248)
Net assets	460,802	345,936
Revenue	1,406,520	42,750
Profit/(loss) after taxation and total comprehensive income/(loss)	115,166	(11,212)

Amounts due from associated companies classified as non-current assets are unsecured, non-interest bearing and will not be repayable within next 12 months. Amounts due from/to associated companies classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single associated company material to the Group.

Details of associated companies of the Group are given in note 40(c). There are no contingent liabilities relating to the Group's interest in the associated companies as at 31 December 2015 and 31 December 2014.

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

## Notes to the Consolidated Financial Statements

## 22 NON-CURRENT INVESTMENT

	2015 HK\$'000	2014 HK\$'000
Listed equity securities, at fair value	<b>3,972,735</b>	7,100,553

The listed securities represent the Group's 3.8% (2014: 3.8%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

## 23 OTHER NON-CURRENT ASSETS

	2015 HK\$'000	2014 HK\$'000
Maintenance deposits	<b>67,842</b>	40,672
Mortgage loans, net of provision	<b>1,096</b>	1,214
Other receivables	<b>16,675</b>	—
	<b>85,613</b>	41,886

Mortgage loans are advances to purchasers of development properties of the Group and are secured by second mortgages on the related properties. The current portion of the loans amounting to HK\$90,000 (2014: HK\$83,000) is included under other debtors. The Group has not provided any impairment loss for its mortgage loans during the year (2014: nil).

## 24 DEVELOPMENT PROPERTIES

	Completed HK\$'000	Under development HK\$'000	2015 HK\$'000	Completed HK\$'000	Under development HK\$'000	2014 HK\$'000
Leasehold land and land use rights	<b>1,982,849</b>	<b>14,638,487</b>	<b>16,621,336</b>	2,111,728	11,900,602	14,012,330
Development costs	<b>3,354,544</b>	<b>6,419,900</b>	<b>9,774,444</b>	4,225,346	4,309,428	8,534,774
	<b>5,337,393</b>	<b>21,058,387</b>	<b>26,395,780</b>	6,337,074	16,210,030	22,547,104

Development properties with carrying values of HK\$7,209,780,000 (2014: HK\$12,534,535,000) were pledged to secure the banking facilities of the Group.

At the year end date, development properties under development amounting to HK\$16,847,823,000 (2014: HK\$15,707,856,000) were not scheduled for completion within twelve months.

## 25 DEBTORS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade debtors, net of provision	1,222,875	839,924
Other debtors, net of provision	196,413	191,001
Amounts due from non-controlling interests	8,833	9,380
Land deposits	—	9,706
Prepayments and other deposits	183,398	68,324
	<b>1,611,519</b>	1,118,335

The debtors and prepayments are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	109,425	346,590
RMB	1,501,299	770,810
Singapore dollar	795	935
	<b>1,611,519</b>	1,118,335

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

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

	2015 HK\$'000	2014 HK\$'000
Within one month	897,921	798,151
Two to three months	259,417	188
Four to six months	63,496	21,842
Over six months	2,041	19,743
	<b>1,222,875</b>	839,924

Included in the trade debtors of the Group, carrying values of HK\$884,672,000 (2014: HK\$781,497,000) were not yet due and fully performing while the remaining amount of HK\$338,203,000 (2014: HK\$58,427,000) were past due over their credit terms for which the Group has not provided for impairment loss.



## Notes to the Consolidated Financial Statements

### 25 DEBTORS AND PREPAYMENTS (cont'd)

The Group has not made provision for impairment for its trade and other debtors (2014: HK\$11,000) during the year. As at 31 December 2015, no trade and other debtors was impaired (2014: nil). Movements of the provision are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of year	—	440
Provision for year	—	11
Written off for year	—	(451)
At end of year	—	—

As at 31 December 2015, other debtors included a loan receivable of HK\$105,491,000 (2014: HK\$116,276,000) which is unsecured, interest free, denominated in RMB and matured within a year. The loan was fully performing. The Group does not hold any collateral as security.

The carrying amounts of the debtors and prepayments approximate to their fair value based on prevailing market interest rate. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

### 26 CASH AND BANK DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Short-term bank deposits maturing after three months	<b>35,808</b>	38,027
Structured bank deposits	—	747,877
	<b>35,808</b>	785,904
Cash at bank and in hand	<b>3,445,519</b>	2,378,317
Short-term and other bank deposits	<b>855,715</b>	2,874,539
Cash and cash equivalents	<b>4,301,234</b>	5,252,856
Cash and bank deposits	<b>4,337,042</b>	6,038,760

The cash and bank deposit include HK\$994,744,000 (2014: HK\$1,384,978,000) which have been pledged or assigned for specific purposes under certain conditions.

The structured bank deposits in 2014 were principal-protected deposits denominated in RMB with fixed maturity dates of not more than 3 months and their interest rates range from 4.0% to 4.4% per annum, with reference to certain interest rate and foreign currency exchange rates. The Group used the deposits primarily to enhance the interest yield.

## 26 CASH AND BANK DEPOSITS (cont'd)

The effective interest rate on short-term and other bank deposits is 0.6% (2014: 1.9%) per annum, these deposits have an average of 52 days (2014: 44 days).

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	1,166,441	2,576,072
RMB	2,855,104	3,125,947
Others	315,497	336,741
	<b>4,337,042</b>	6,038,760

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

	2015 HK\$'000	2014 HK\$'000
Credit Rating:		
Aa	1,403,843	1,875,156
A	1,602,954	3,455,633
Baa	144,384	232,287
Others	1,185,861	475,684
	<b>4,337,042</b>	6,038,760

## 27 SHARE CAPITAL

	2015		2014	
	Shares of HK\$0.10 each Number of Shares	HK\$'000	Shares of HK\$0.10 each Number of Shares	HK\$'000
Authorised:				
At beginning and end of year	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	2,787,154,270	278,715	2,712,152,918	271,215
Share options exercised	—	—	6,232,750	623
Issued as scrip dividends	52,443,000	5,244	68,768,602	6,877
At end of year	<b>2,839,597,270</b>	<b>283,959</b>	2,787,154,270	278,715

During the year, no share options were exercised. During the year of 2014, share options to subscribe for 6,232,750 shares were exercised, of which HK\$623,000 was credited to share capital and HK\$31,714,000 to the share premium account and HK\$7,683,000 was debited to share option reserve.

## Notes to the Consolidated Financial Statements

### 28 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Options are exercisable at a price of the higher of the closing price of the shares on the date of grant or the average closing prices of the shares for the five business days immediately preceding the date of grant. Consideration to be paid on each grant of option is HK\$1.00. Except for the options granted on 24 January 2008, all other options granted are subject to a one year vesting period. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than ten years from the date of grant of the option.

Movements in the number of share options outstanding and their related weighted average exercise prices during the year are as follows:

	2015		2014	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
At beginning of year	<b>4.0707</b>	<b>47,650,000</b>	3.8622	37,386,750
Granted	n/a	—	4.5000	16,540,000
Exercised	n/a	—	3.9558	(6,232,750)
Lapsed	<b>4.5399</b>	<b>(1,374,000)</b>	4.6360	(44,000)
At end of year	<b>4.0567</b>	<b>46,276,000</b>	4.0707	47,650,000
Vested at end of year	<b>4.0567</b>	<b>46,276,000</b>	3.8424	31,110,000

The weighted average share price at the date of exercise for share options exercised during the year of 2014 was HK\$5.582.

The options outstanding at 31 December 2015 have exercise prices ranging from HK\$2.12 to HK\$4.636 (2014: HK\$2.12 to HK\$4.636) with weighted average remaining contractual life of 3.3 years (2014: 4.3 years).

## 28 SHARE OPTION SCHEME (cont'd)

Share options outstanding at the end of the year have the following exercise periods and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		2015	2014
<b>Directors</b>			
27 November 2008 to 26 November 2017	4.636	<b>2,985,000</b>	2,985,000
27 November 2008 to 26 November 2017	3.882	<b>1,300,000</b>	1,300,000
17 January 2013 to 16 January 2018	2.120	<b>9,074,000</b>	9,074,000
21 January 2014 to 20 January 2019	4.610	<b>9,990,000</b>	10,190,000
30 September 2015 to 29 September 2020	4.500	<b>10,200,000</b>	10,360,000
<b>Employees and others</b>			
27 November 2008 to 26 November 2017	4.636	<b>2,174,000</b>	2,238,000
27 November 2008 to 26 November 2017	3.882	<b>55,000</b>	105,000
17 January 2013 to 16 January 2018	2.120	<b>160,000</b>	160,000
21 January 2014 to 20 January 2019	4.610	<b>4,558,000</b>	5,058,000
30 September 2015 to 29 September 2020	4.500	<b>5,780,000</b>	6,180,000
		<b>46,276,000</b>	47,650,000

The fair value of options granted during last year, as determined by using the Black-Scholes valuation model, was HK\$1.13 per option. The significant inputs into the model were share price of HK\$4.34 at the grant date, exercise price at the date of granting the options, expected volatility of 46%, expected life of options of 3.5 years, dividend yield of 3.36% and annual risk-free interest rate of 1.14%. The volatility measured based on the historical share price movement of the Company in the relevant period matching expected time to exercise before the option grant date.

## Notes to the Consolidated Financial Statements

## 29 RESERVES

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Investment reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>	1,736,173	41,431	99,089	13	859	745	6,928,320	1,447,773	14,612,064	24,866,467
<b>Comprehensive income</b>										
Profit for the year	—	—	—	—	—	—	—	—	1,366,754	1,366,754
<b>Other comprehensive income</b>										
Exchange differences arising from translation	—	—	—	—	—	(43)	—	(1,136,208)	—	(1,136,251)
Translation differences for joint ventures	—	—	—	—	—	—	—	212	—	212
Release of reserve upon reduction of interest in subsidiaries	—	—	—	—	—	—	—	(193,507)	—	(193,507)
Change in fair value of non-current investment	—	—	—	—	—	—	(3,127,818)	—	—	(3,127,818)
<b>Transactions with equity holders</b>										
Fair value of share options	—	13,543	—	—	—	—	—	—	—	13,543
Lapse of share options	—	(1,270)	—	—	—	—	—	—	1,270	—
Shares issued as scrip dividends	(5,244)	—	—	—	—	—	—	—	—	(5,244)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	175,954	175,954
2014 final dividend	—	—	—	—	—	—	—	—	(278,715)	(278,715)
2015 interim dividend	—	—	—	—	—	—	—	—	(140,181)	(140,181)
<b>At 31 December 2015</b>	1,730,929	53,704	99,089	13	859	702	3,800,502	118,270	15,737,146	21,541,214
<b>Retained by:</b>										
Company and subsidiaries	1,730,929	53,704	99,089	13	859	702	3,800,502	117,273	14,571,109	20,374,180
Joint ventures	—	—	—	—	—	—	—	997	705,237	706,234
Associated companies	—	—	—	—	—	—	—	—	460,800	460,800
	1,730,929	53,704	99,089	13	859	702	3,800,502	118,270	15,737,146	21,541,214
<b>At 1 January 2014</b>	1,711,336	44,508	99,089	13	859	748	11,120,408	1,503,364	12,867,213	27,347,538
<b>Comprehensive income</b>										
Profit for the year	—	—	—	—	—	—	—	—	1,829,960	1,829,960
<b>Other comprehensive income</b>										
Exchange differences arising from translation	—	—	—	—	—	(3)	—	(55,584)	—	(55,587)
Translation differences for joint ventures	—	—	—	—	—	—	—	(7)	—	(7)
Change in fair value of non-current investment	—	—	—	—	—	—	(4,192,088)	—	—	(4,192,088)
<b>Transactions with equity holders</b>										
Fair value of share options	—	4,672	—	—	—	—	—	—	—	4,672
Exercise of share options	31,714	(7,683)	—	—	—	—	—	—	—	24,031
Lapse of share options	—	(66)	—	—	—	—	—	—	66	—
Shares issued as scrip dividends	(6,877)	—	—	—	—	—	—	—	—	(6,877)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	324,457	324,457
2013 final dividend	—	—	—	—	—	—	—	—	(271,709)	(271,709)
2014 interim dividend	—	—	—	—	—	—	—	—	(137,923)	(137,923)
<b>At 31 December 2014</b>	1,736,173	41,431	99,089	13	859	745	6,928,320	1,447,773	14,612,064	24,866,467
<b>Retained by:</b>										
Company and subsidiaries	1,736,173	41,431	99,089	13	859	745	6,928,320	1,446,988	11,914,654	22,168,272
Joint ventures	—	—	—	—	—	—	—	785	2,351,476	2,352,261
Associated companies	—	—	—	—	—	—	—	—	345,934	345,934
	1,736,173	41,431	99,089	13	859	745	6,928,320	1,447,773	14,612,064	24,866,467



### 30 BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Long-term bank loans		
Secured	<b>3,809,008</b>	5,198,227
Unsecured	<b>6,069,009</b>	9,700,377
	<b>9,878,017</b>	14,898,604
Short-term bank loans		
Secured	—	100,000
Unsecured	—	70,000
	<b>9,878,017</b>	15,068,604
Current portion included in current liabilities	<b>(459,791)</b>	(1,824,578)
	<b>9,418,226</b>	13,244,026

The long-term bank loans are repayable within the following periods:

	2015 HK\$'000	2014 HK\$'000
Within one year	<b>459,791</b>	1,654,578
Between one to two years	<b>1,703,833</b>	2,978,563
Between two to five years	<b>7,714,393</b>	10,265,463
	<b>9,878,017</b>	14,898,604

The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 2.3% (2014: 2.5%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	<b>8,948,708</b>	13,205,321
RMB	<b>929,309</b>	1,863,283
	<b>9,878,017</b>	15,068,604

## Notes to the Consolidated Financial Statements

### 31 GUARANTEED NOTES

K. Wah International Financial Services Limited (“KWIFS”), a wholly-owned subsidiary of the Company, issued guaranteed notes in the aggregate principal amount of US\$200 million at 100% of face value in 2012. The notes are guaranteed by the Company and carry a coupon rate of 5.375% per annum and have a maturity of 5 years. The notes are listed on The Stock Exchange of Hong Kong Limited. The fair value of the notes as at 31 December 2015 was HK\$1,473 million (2014: HK\$1,551 million).

KWIFS issued guaranteed notes of HK\$150 million at 100% of face value through private placement in 2012. The notes are guaranteed by the Company and carry a coupon rate of 3-month HIBOR+2.75% per annum and have a maturity of 5 years. The carrying amount approximates its fair value.

KWIFS issued additional guaranteed notes of HK\$1 billion at 100% of face value through private placement in 2014. The notes are guaranteed by the Company and carry a coupon rate of 4.25% to 4.73% per annum and have a maturity of 7 years. The fair value of these guaranteed notes as at 31 December 2015 was HK\$1,015 million (2014: HK\$1,022 million).

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

### 32 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Under non-current assets:		
Interest rate swaps	846	2,644
Under non-current liabilities:		
Forward foreign exchange contract	8,629	2,613
Interest rate swaps	8,673	298
	<b>17,302</b>	2,911

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2015 was USD200 million (2014: USD200 million).

The notional principal amounts of the outstanding interest rate swaps at 31 December 2015 were HK\$950 million (2014: HK\$950 million).

### 33 DEFERRED TAXATION

	2015 HK\$'000	2014 HK\$'000
Deferred taxation assets	100,048	36,455
Deferred taxation liabilities	(1,645,558)	(1,626,042)
	<b>(1,545,510)</b>	(1,589,587)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset taxation assets against taxation liabilities and when the deferred taxes relate to the same fiscal authority. The above assets/(liabilities) are determined after appropriate offsetting of the relevant amounts.

	Accelerated depreciation allowance HK\$'000	Fair value gains HK\$'000	Undistributed profits of subsidiaries HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2014	(150,617)	(750,607)	(297,505)	27,581	(1,171,148)
Exchange differences	437	1,672	885	(219)	2,775
Charged to profit and loss statement	(16,616)	(353,594)	(5,255)	(45,749)	(421,214)
At 31 December 2014	(166,796)	(1,102,529)	(301,875)	(18,387)	(1,589,587)
Exchange differences	10,402	63,645	14,457	(3,866)	84,638
(Charged)/credited to profit and loss statement	(16,938)	(28,690)	15,975	(10,908)	(40,561)
<b>At 31 December 2015</b>	<b>(173,332)</b>	<b>(1,067,574)</b>	<b>(271,443)</b>	<b>(33,161)</b>	<b>(1,545,510)</b>

Except the tax losses, all the other deferred taxation assets and liabilities are expected to be recovered or settled after twelve months.

Deferred taxation assets of HK\$125,466,000 (2014: HK\$119,867,000) arising from unused tax losses of HK\$683,054,000 (2014: HK\$606,863,000) have not been recognised in the financial statements. Unused tax losses of HK\$532,915,000 (2014: HK\$453,503,000) have no expiry date and the balance will expire at various dates up to and including 2020.

Deferred taxation liabilities of HK\$8,577,000 (2014: HK\$116,378,000) arising from temporary differences associated with investments in subsidiaries have not been recognised in the financial statements, as the Group consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

## Notes to the Consolidated Financial Statements

## 34 CREDITORS AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Trade creditors	972,932	914,919
Other creditors	48,493	39,140
Amounts due to non-controlling interests	5,506	5,847
Accrued operating expenses	274,610	173,720
Rental and other deposits received	131,121	122,119
	<b>1,432,662</b>	1,255,745

Amount due to non-controlling interests are unsecured, non-interest bearing and have no fixed terms of repayments.

The creditors and accruals are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	136,668	137,482
RMB	1,295,401	1,118,053
Singapore dollar	593	210
	<b>1,432,662</b>	1,255,745

The carrying amounts of the creditors and accruals approximate to their fair value based on prevailing market interest rate.

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

	2015 HK\$'000	2014 HK\$'000
Within one month	821,538	910,032
Two to three months	133,348	3,305
Four to six months	366	946
Over six months	17,680	636
	<b>972,932</b>	914,919

## 35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### Reconciliation of profit before taxation to cash generated from/(used in) operations

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	2,815,345	2,707,293
Share of profits of joint ventures	(76,286)	(167,540)
Share of (profits)/losses of associated companies	(115,166)	11,212
Finance costs	61,930	21,799
Fair value gain on transfer of development properties to investment properties	—	(1,358,197)
Change in fair value of investment properties	(113,528)	(143,253)
Depreciation of property, plant and equipment	42,808	43,318
Amortisation of leasehold land and land use rights	129	131
Interest income	(79,729)	(88,652)
Loss on disposal of property, plant and equipment	491	21
Fair value of share options granted	13,543	4,672
Dividend income	(68,243)	(186,857)
Net fair value losses on derivative financial instruments	16,189	10,684
Release of exchange reserve upon reduction of interest in subsidiaries	(198,606)	—
Operating profit before working capital changes	2,298,877	854,631
Increase in development properties	(3,686,162)	(7,551,337)
(Increase)/decrease in debtors and prepayments	(580,685)	99,694
Decrease/(increase) in inventories	110	(891)
Increase in other non-current assets	(47,215)	(17,337)
Increase/(decrease) in pre-sales deposits	5,198,777	(18,309)
Increase/(decrease) in creditors and accruals	103,899	(303,331)
Cash generated from/(used in) operations	3,287,601	(6,936,880)

## 36 COMMITMENTS

### (a) Contracted but not provided for

	2015 HK\$'000	2014 HK\$'000
Commitments in respect of		
— property investment	—	—
— property development	3,491,783	3,070,870
— joint venture	6,211	5,994
	3,497,994	3,076,864



## Notes to the Consolidated Financial Statements

**36 COMMITMENTS (cont'd)****(b) Operating lease commitments**

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>15,044</b>	14,197
Two to five years	<b>4,343</b>	16,915
	<b>19,387</b>	31,112

**(c) Operating lease rental receivables**

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>358,024</b>	343,993
Two to five years	<b>471,127</b>	629,846
After five years	<b>48,821</b>	77,573
	<b>877,972</b>	1,051,412

**37 GUARANTEES**

As at 31 December 2015, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2015		2014	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
— joint ventures	<b>117,000</b>	<b>117,000</b>	117,000	117,000
— associated companies	—	—	1,000,000	440,400
— properties buyers	<b>563,965</b>	<b>563,965</b>	123,332	123,332
	<b>680,965</b>	<b>680,965</b>	1,240,332	680,732

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Apart from the above, the Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

### 38 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the consolidated financial statements which in the opinion of the Directors, were carried out in the normal course of business during the year:

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Fees	<b>780</b>	740
Salaries and other emoluments	<b>28,032</b>	26,825
Discretionary bonuses	<b>3,354</b>	5,518
Pension costs — defined contribution plans	<b>2,863</b>	2,741
Share option	<b>7,966</b>	2,656
	<b>42,995</b>	38,480

- (b) Rental income from an investee company amounted to HK\$1,380,000 (2014: HK\$1,323,000) based on the terms of rental agreement between the parties.
- (c) Rental expense to a related company amounted to HK\$14,988,000 (2014: HK\$1,556,000) based on the terms of master lease agreement between the parties.
- (d) As at 31 December 2015 and 2014, the Company has executed a guarantee in favour of the HKSAR Government in respect of the contract for quarrying rights and rehabilitation of the quarry of Tai Sheung Tok Anderson Road of an investee company.

## Notes to the Consolidated Financial Statements

**39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY****Balance sheet of the Company**

As at 31 December 2015

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<b>ASSETS</b>		
<b>Non-current asset</b>		
Subsidiaries	<b>259,561</b>	259,561
<b>Current assets</b>		
Amounts due from subsidiaries	<b>3,466,546</b>	3,500,322
Cash and bank deposits	<b>889</b>	914
	<b>3,467,435</b>	3,501,236
<b>Total assets</b>	<b>3,726,996</b>	3,760,797
<b>EQUITY</b>		
Share capital	<b>283,959</b>	278,715
Reserves (note a)	<b>3,439,923</b>	3,479,121
Shareholders' funds	<b>3,723,882</b>	3,757,836
<b>LIABILITY</b>		
<b>Current liability</b>		
Creditors and accruals	<b>3,114</b>	2,961
<b>Total equity and liability</b>	<b>3,726,996</b>	3,760,797
<b>Net current assets</b>	<b>3,464,321</b>	3,498,275
<b>Total assets less current liability</b>	<b>3,723,882</b>	3,757,836

**Lui Che-woo**  
Chairman and Managing Director

**Paddy Tang Lui Wai Yu**  
Executive Director

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (cont'd)

#### (a) Reserve movement of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>	<b>1,736,173</b>	<b>41,431</b>	<b>213,560</b>	<b>13</b>	<b>1,487,944</b>	<b>3,479,121</b>
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	195,445	195,445
<b>Transactions with equity holders</b>						
Fair value of share options	—	13,543	—	—	—	13,543
Lapse of share options	—	(1,270)	—	—	1,270	—
Shares issued as scrip dividends	(5,244)	—	—	—	—	(5,244)
Reserve arising on scrip dividends	—	—	—	—	175,954	175,954
2014 final dividend	—	—	—	—	(278,715)	(278,715)
2015 interim dividend	—	—	—	—	(140,181)	(140,181)
<b>At 31 December 2015</b>	<b>1,730,929</b>	<b>53,704</b>	<b>213,560</b>	<b>13</b>	<b>1,441,717</b>	<b>3,439,923</b>
At 1 January 2014	1,711,336	44,508	213,560	13	1,528,035	3,497,452
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	45,018	45,018
<b>Transactions with equity holders</b>						
Fair value of share options	—	4,672	—	—	—	4,672
Exercise of share options	31,714	(7,683)	—	—	—	24,031
Lapse of share options	—	(66)	—	—	66	—
Shares issued as scrip dividends	(6,877)	—	—	—	—	(6,877)
Reserve arising on scrip dividends	—	—	—	—	324,457	324,457
2013 final dividend	—	—	—	—	(271,709)	(271,709)
2014 interim dividend	—	—	—	—	(137,923)	(137,923)
At 31 December 2014	1,736,173	41,431	213,560	13	1,487,944	3,479,121

## Notes to the Consolidated Financial Statements

## 40 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

## (a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
<b>Directly held by the Company</b>					
<b>Incorporated in the British Virgin Islands</b>					
Sutimar Enterprises Limited	Hong Kong	100	US\$1	100	Investment holding
<b>Indirectly held by the Company</b>					
<b>Incorporated in Hong Kong</b>					
Chely Well Limited	Hong Kong	1,000	N/A	72	Investment holding
Chinapex Company Limited	Singapore	1,000	N/A	100	Property investment
Colour Day International Limited	Hong Kong	2	N/A	100	Investment holding
Enjoy International Limited	Hong Kong	1	N/A	100	Investment holding
Excelsior Mark Limited	Hong Kong	1	N/A	100	Investment holding
Faithfulink Limited	Hong Kong	1	N/A	100	Investment holding
Grand Place Limited	Hong Kong	1	N/A	100	Investment holding
Grand Spark Limited	Hong Kong	1	N/A	100	Property development and investment
Golden Arrow Limited	Hong Kong	1	N/A	100	Investment holding
Goldstar Power Limited	Hong Kong	1	N/A	100	Investment holding
Hero Plaza Limited	Hong Kong	2	N/A	100	Property development
Infinity Profit Limited	Hong Kong	1	N/A	100	Investment holding
K. Wah Financial Services Limited	Hong Kong	2	N/A	100	Provision of financial services
K. Wah Management Services Limited	Hong Kong	100	N/A	100	Provision of management services
K. Wah Project Management Service Limited	Hong Kong	2	N/A	100	Provision of management services
K. Wah Properties Investment Limited	Hong Kong	1,000	N/A	100	Investment holding
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	N/A	100	Investment holding
King Rays Limited	Hong Kong	2	N/A	100	Property development
Lucky Way Investment Limited	Hong Kong	2	N/A	100	Property development
Manful Global Development Limited	Hong Kong	1	N/A	100	Property development
Max Orient Holdings Limited	Hong Kong	1,000	N/A	100	Investment holding
Minter Limited	Hong Kong	2	N/A	100	Investment holding
New Fine Limited	Hong Kong	1	N/A	100	Property development
New Regent Asia Limited	Hong Kong	1	N/A	100	Property development
Orient Profit Limited	Hong Kong	1	N/A	100	Property development
Oriental Control Limited	Hong Kong	1	N/A	100	Investment holding
Polynice Limited	Hong Kong	2	N/A	100	Provision of financial services
Pure United Limited	Hong Kong	1	N/A	100	Investment holding
Raise Union Limited	Hong Kong	1	N/A	100	Investment holding
Royal Mark Investments Limited	Hong Kong	1	N/A	100	Property development
Skyport Fareast Limited	Hong Kong	1	N/A	100	Investment holding
Sun City Limited	Hong Kong	2	N/A	100	Property management
Union Profits Limited	Hong Kong	2	N/A	100	Property investment
United Best Hong Kong Limited	Hong Kong	1	N/A	60	Property development
Victory Way Limited	Hong Kong	9,901,000	N/A	99.99	Investment holding
Wealthy Vision Limited	Hong Kong	1	N/A	100	Investment holding
Well Sense Limited	Hong Kong	1	N/A	100	Investment holding
Winway Global Development Limited	Hong Kong	1	N/A	100	Investment holding
Worldtop China Limited	Hong Kong	1	N/A	100	Investment holding



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

### (a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
<b>Indirectly held by the Company (cont'd)</b>					
<b>Incorporated in the British Virgin Islands</b>					
			US\$		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Choice Treasure Limited	Hong Kong	10	1	60	Investment holding
Cyber Point Assets Limited	Hong Kong	10	1	100	Investment holding
Gold City Holdings Limited	Hong Kong	10	1	100	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
Grow Ever Limited	Hong Kong	1	1	100	Investment holding
K. Wah International Financial Services Limited	Hong Kong	10	1	100	Provision of financial services
League Trend Limited	Hong Kong	1	1	100	Investment holding
Lehane Properties Limited	Hong Kong	10	1	100	Investment holding
Million Link Group Limited	Hong Kong	1	1	100	Investment holding
Proper Land Limited	Hong Kong	1	1	100	Investment holding
Ragon Properties Limited	Hong Kong	10	1	100	Investment holding
Select Vantage Profits Limited	Hong Kong	10	1	100	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment
Treasure Easy Limited	Hong Kong	10	1	100	Investment holding
<b>Incorporated in Mainland China</b>					
		<b>Registered capital</b>			
<b>Wholly-owned foreign enterprise</b>					
廣州市嘉華花都置業有限公司	Guangzhou		HK\$488,000,000	100	Property development
廣州嘉揚房地產開發有限公司	Guangzhou		HK\$300,000,000	100	Property development
江門市嘉豐房地產開發有限公司	Jiangmen		HK\$130,000,000	100	Property development
K. Wah (China) Investment Co., Ltd.	Shanghai		US\$118,000,000	100	Investment holding
上海嘉敏房地產開發經營有限公司	Shanghai		US\$110,230,000	100	Property development
上海嘉澤房地產開發經營有限公司	Shanghai		RMB800,000,000	100	Property development
上海嘉爵房地產開發經營有限公司	Shanghai		RMB600,000,000	100	Property development
上海嘉悅房地產開發經營有限公司	Shanghai		RMB700,000,000	100	Property development
Shanghai Jia Zhao Real Estate Development Co., Ltd.	Shanghai		US\$119,500,000	100	Property development
Shanghai Jiashen Real Estate Development Co., Ltd.	Shanghai		US\$126,000,000	100	Property development
Shanghai Jia Gang Cheng Real Estate Development Co., Ltd.	Shanghai		US\$13,000,000	100	Property development
南京嘉耀房地產開發有限公司	Nanjing		RMB1,800,000,000	100	Property development
Tianjin Jia Run Hua Property Development Co., Ltd.	Tianjin		US\$29,880,000	100	Property development
Tianjin Jia Run He Property Development Co., Ltd.	Tianjin		US\$29,980,000	100	Property development
東莞廣裕房地產開發有限公司	Dongguan		HK\$911,000,000	100	Property development
<b>Cooperative joint venture</b>					
廣州匯城房地產開發有限公司	Guangzhou		HK\$600,000,000	99	Property development
<b>Equity joint venture</b>					
Shanghai Jia Hui Da Real Estate Development Co., Ltd.	Shanghai		US\$20,000,000	69.6	Property investment
上海凱通文安建設開發有限公司	Shanghai		RMB234,000,000	53.61	Property development

## Notes to the Consolidated Financial Statements

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

## (b) Joint Ventures

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
<b>Indirectly held by the Company</b>					
<b>Incorporated in Hong Kong</b>					
Anglers' Bay Property Management Company Limited	Hong Kong	2	N/A	50	Property management
Prime Force Limited	Hong Kong	2	N/A	50	Property development
Teamer International Limited	Hong Kong	1	N/A	35	Property development
Ace Glory Limited	Hong Kong	1	N/A	25	Property development
Ample Excellent Limited	Hong Kong	2	N/A	50	Property development
<b>Incorporated in the British Virgin Islands</b>					
			US\$		
Full Raise International Limited	Hong Kong	1,000	1	25	Investment holding
Homeast Limited	Hong Kong	1,000	1	35	Investment holding

## (c) Associated Companies (note)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
<b>Indirectly held by the Company</b>					
<b>Incorporated in Hong Kong</b>					
Jet Union Development Limited	Hong Kong	1	N/A	40	Property development
King Regent Limited	Hong Kong	1	N/A	15	Property development
Pacific Bond Limited	Hong Kong	1	N/A	15	Property development
Union King (Hong Kong) Limited	Hong Kong	1	N/A	15	Property development
<b>Incorporated in the British Virgin Islands</b>					
			US\$		
Garwin Investment Limited	Hong Kong	1,000	1	15	Investment holding
Great Virtue Developments Limited	Hong Kong	10	1	40	Investment holding
Nimble Limited	Hong Kong	100	1	15	Investment holding
Vantage Plus Investments Limited	Hong Kong	100	1	15	Investment holding

Note: Despite its 15% equity interest in each of these companies, significant influence is exercised in the management and thus these companies have been accounted for associated companies of the Group through the participation in the Board.

# The Group's Significant Properties

As at 31 December 2015

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
<b>INVESTMENT AND OTHER PROPERTIES</b>						
<b>Hong Kong</b>						
K. Wah Centre 28th, 29th and 30th Floors, 191 Java Road, North Point, Hong Kong	Office	2,926	100	2106	Completed	Existing
J SENSES 60, 60A-66 Johnston Road, Wanchai, Hong Kong	Commercial	3,400	100	2054	Completed	Existing
<b>Mainland China</b>						
Shanghai K. Wah Centre No. 1010 Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	69.6	2047	Completed	Existing
Stanford Residences Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	29,000	100	2072	Completed	Existing
Crowne Plaza Guangzhou Huadu and Office Yingbin Road, Xinhuzhen, Huadu District, Guangzhou	Hotel/Office	45,000	100	2039 to 2069	Completed	Existing
<b>DEVELOPMENT PROPERTIES</b>						
<b>Hong Kong</b>						
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	5,100 <sup>(1)</sup>	100	2070	Completed	Existing
Marinella 9 Welfare Road, Aberdeen, Hong Kong	Residential	4,200 <sup>(1)</sup>	35	2057	Completed	Existing
Providence Peak 8 Fo Chun Road, Tai Po, New Territories	Residential	10,000 <sup>(1)</sup>	25	2057	Completed	Existing
Providence Bay 5 Fo Chun Road, Tai Po, New Territories	Residential	14,400 <sup>(1)</sup>	15	2057	Completed	Existing
Mayfair By The Sea I 23 Fo Chun Road, Tai Po, New Territories	Residential/ Commercial	7,700 <sup>(1)</sup>	15	2059	Completed	Existing
Twin Peaks 9 Chi Shin Street, Tseung Kwan O, New Territories	Residential/ Commercial	28,000	100	2062	Construction	2016
Corinthia By The Sea 23 Tong Yin Street, Tseung Kwan O, New Territories	Residential/ Commercial	45,000	40	2062	Construction	2016
The Spectra 8 Kwong Yip Street, Yuen Long, New Territories	Residential	49,000	60	2063	Construction	2018
New Kowloon Inland Lot No. 6526, Kai Tak Area 11 Site 2	Residential	51,000	100	2064	Foundation	2018
2 Grampian Road, Kowloon	Residential	3,200	100	2047	Foundation	2018
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2018 or beyond
Tai Po Town Lot No. 226	Residential	61,600	100	2065	Planning	2019 or beyond

Note1: For certain properties, Gross Floor Area includes covered area of all saleable units and their respective share of common area as referred to or to be referred to in sales brochures.

## The Group's Significant Properties

As at 31 December 2015

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
<b>DEVELOPMENT PROPERTIES (cont'd)</b>						
<b>Mainland China</b>						
Le Palais No. 217, Jianshe Road (North) Huadu District, Guangzhou	Residential	19,400	100	2077	Completed	Existing
J Metropolis Xinhuazhen, Huadu District, Guangzhou	Residential/ Commercial	Phase 1: 15,100 Phase 2: 75,000 Phase 3: 40,000 Phase 4: 34,000 Others: 567,000	99	2034 to 2068	Phase 1: Completed Phase 2 to 4: Construction Others: Planning	Phase 1: Existing Phase 2 & 3: 2016 Others: 2018 or beyond
J Wings Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Residential	42,300	100	2039 to 2069	Completed	Existing
Huadu Jiahua Plaza Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Residential/ Commercial	81,000	100	2039 to 2069	Planning	2018 or beyond
The Palace 236 Jianguoxi Road, Xuhui District, Shanghai	Residential/ Commercial	Phase 1: 4,700 Phase 2: 35,000 Phase 3: 43,000 Serviced Apartment: 26,000	100	2065	Phase 1: Completed Others: Construction	Phase 1: Existing Others: 2017
Grand Summit Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	33,800	100	2072	Completed	Existing
Upstream Park Wujing Minhang District, Shanghai	Residential/ Commercial	28,500	100	2048 to 2078	Completed	Existing
Windermere Plot B3, B4 Zhujiqiao Qingpu District, Shanghai	Residential/ Commercial	71,000	100	2050 to 2080	Completed	Existing
Silver Cove Phases I & II 111 Xihu Zhong Road, Xihu District, Shilong Town, Dongguan	Residential/ Commercial	202,000	100	2082	Construction	2016
Silver Cove Phase III North Side of Wan Long Road, Xihu District, Shilong Town, Dongguan	Residential/ Commercial	34,210	100	2084	Construction	2017
Lot 19-04, Puxing, Pudong District, Shanghai	Residential	31,000	100	2083	Construction	2017
Site 7-7, Unit E18, Weifang Village Street, Pudong District, Shanghai	Residential	14,200	100	2084	Planning	2019
Site G68, Maigao Qiao, Qixia District, Nanjing	Residential/ Commercial	142,800	100	2054 to 2084	Foundation	2017
上海市閘北區北站街道43號街坊10丘	Commercial	20,000	53.61	2056	Planning	2018 or beyond

The information materials, drawings and photos of the developments in Hong Kong (inclusive of the developments under construction) as provided in this Annual Report are for the purpose of the Annual Report of K. Wah International Holdings Limited (“KWIH”) (please refer to the sales brochures for details of the respective developments) and is not and does not form part of any advertisement purporting to promote the sale of any residential property, and does not constitute and shall not be construed as constituting any offer, representation, warranty, covenant or contractual term whether expressed or implied (whether related to view or not). No publishing or transfer to any third party is allowed without the prior written consent of KWIH and the respective vendors as stated in the sales brochures of the respective developments (“Vendor”). KWIH and the respective Vendors shall not be liable for any reliance of these information, drawings and photos by any party for his/her decision on purchase of any residential property in the respective developments or otherwise.

Such design concept drawings of the respective residential developments in these information materials, drawings and photos are products of computer renderings, represent an artist’s impression of the respective developments or the part of the respective developments concerned, and are for reference only. Pipes, conduits, air-conditioners, grilles etc. which might exist on the external walls, flat roofs or roofs, etc. of the respective developments and the surrounding environment and buildings of the respective developments have been omitted. The renderings do not reflect the actual appearance and the surrounding environment of and the view from the respective developments. The design concept drawings do not simulate or reflect the view from any part of the respective developments and the present or future condition of the surrounding environment and buildings of the respective developments. The layout, partition, specifications, dimensions, colour, materials, fittings, finishes, appliances, furniture, household goods, display, decorations, shops, signs, clubhouse facilities, plant, landscaping, lighting features and lightings, etc. shown in the design concept drawings might be different from those, if any, to be actually provided in the respective developments. Each of the Vendors reserves the right to alter the building plans. The building plans are subject to the final approvals of the relevant Government authorities. The respective Vendors reserve the right to alter or increase or reduce the number of clubhouse and recreational facilities. The provision of clubhouse and recreational facilities are subject to the terms and conditions of the agreements of sale and purchase and the final approvals of the relevant Government authorities. The opening time and use of different clubhouse and recreational facilities are subject to the relevant laws, land grant conditions, terms of the deed of mutual covenant and the actual conditions of the facilities.

本年報中關於香港的發展項目(包括在建中的發展項目)的資訊,繪圖及圖片乃嘉華國際集團有限公司(「嘉華國際」)為其年報而提供的(該等發展項目的詳情請參閱售樓說明書),其本意並非促銷任何住宅物業的廣告或組成廣告的部分,也不構成亦不得詮釋作構成任何不論明示或隱含之要約、陳述、保證、承諾或合約條款(不論與景觀是否有關)。未得嘉華國際及該等發展項目的售樓書中所列明的賣方(「賣方」)的書面同意不可向第三方發布或轉發。嘉華國際及各賣方對任何人士依賴本資訊,繪圖及圖片而作出購買該等發展項目中的任何住宅物業或其他的決定概不負責。

該等發展項目資訊,繪圖及圖片中的該等發展項目住宅物業設計概念圖乃電腦模擬效果,純屬畫家對該等發展項目或該等發展項目相關部分之想像,僅供參考。該等發展項目外牆、平台、天台等上可能存在之喉管、管線、冷氣機、格柵等及該等發展項目周邊地區環境及建築物並無顯示。設計概念圖並非模擬亦不反映該等發展項目任何部分之景觀或該等發展項目周邊地區環境或建築物現在或將來之狀況。所示之布局、間隔、規格、尺寸、顏色、用料、裝置、裝修物料、設備、家具、家居用品、擺設、裝飾、商舖、招牌、會所設施、植物、園景、燈飾及照明裝置等可能會與該等發展項目所實際提供者(如有)不同。各賣方保留權利改動建築圖則。建築圖則以有關政府部門最後批准者為準。各賣方保留權利改動及增減會所及康樂設施。會所及康樂設施之提供以買賣合約條款及條件及有關政府部門最後批准者為準。不同會所及康樂設施之開放時間受相關法律、批地文件及公契條款及現場環境狀況限制。



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