

Building homes:
value through *Quality*
and **Innovation**
建家 · 建價值 創新 · 創未來

Corporate Profile 公司簡介

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, in strive for setting ever higher standards of quality living spaces and delivering long term shareholder value.

嘉華國際集團有限公司(「嘉華國際」或「集團」; 股份代號: 0173)為嘉華集團旗下之房地產業務旗艦，創立並紮根於香港，至今已發展成以香港、長三角及珠三角地區為策略據點之綜合發展商及投資者，所開發之項目均以品質優見稱。

嘉華國際擅長於開發精品物業，由旗下專業團隊所拓展之項目涵蓋住宅、甲級商廈、酒店、服務式公寓及特色商舖，物業皆匠心獨運，揉合特色設計、精湛技術、頂尖設備及創新元素於一身，多年來物業質素備受市場認同，建築及設計屢獲國際殊榮。

集團以締造理想和諧的生活國度為發展宗旨，因地制宜，不僅用心傳承「嘉華」的優質品牌內涵，更以臻善創新的意念打造別樹一幟的物業，塑造現代生活新標準，切合用家需要的同時，亦為物業注入長遠價值。

憑藉資深經驗及雄厚財政實力，嘉華國際將繼續以審慎進取的策略，物色具潛力的土地，竭誠為客戶打造優質的生活空間，為股東帶來長遠而持續的回報。

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Premium properties of innovation and quality

Innovation and quality are the hallmarks of KWH's longstanding business philosophy. The Group is committed to the development of premium niche properties characterized by their unique style, innovative designs and ingenious adaptations to local environments.



The Palace, Shanghai



Chantilly, Hong Kong



Marinella, Hong Kong



Grand Summit, Shanghai



Rendering of Twin Peaks, Hong Kong

Creating pleasant living spaces

KWIH is a trendsetter in green architecture blending eco-friendly features with aesthetic appeal to create fashionable and healthy living spaces.



Marinella, Hong Kong



Rendering of Silver Cove, Dongguan



The Palace, Shanghai



Grand Summit, Shanghai



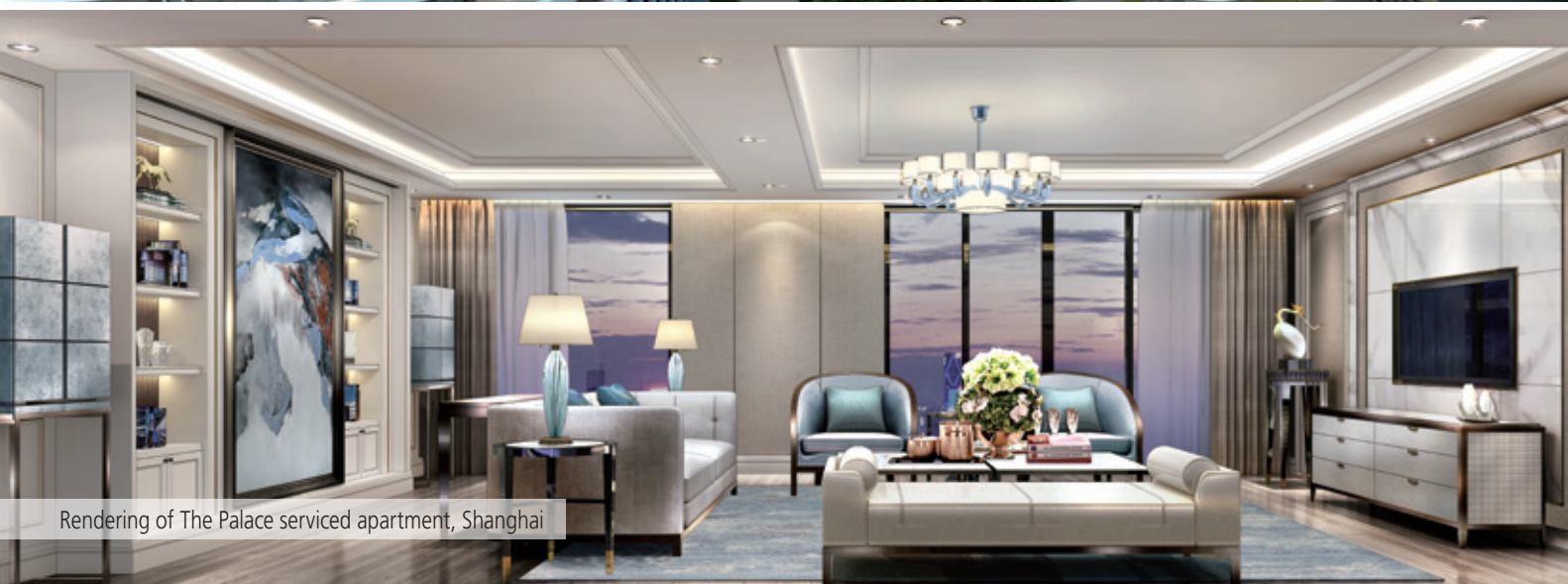
J Metropolis, Guangzhou

Style and value for residents

Unique designs are complemented by meticulously selected materials and painstaking attention to detail in order to create an enhanced lifestyle and add value.



Rendering of Weifang Village Street project, Pudong District, Shanghai



Rendering of The Palace serviced apartment, Shanghai



Chantilly, Hong Kong



Rendering of Grand Summit, Shanghai

Outstanding team with strong market recognition

Accolades won by KWIH in 2014 included the following:

Dr Lui Che-woo,
Chairman of KWIH

Entrepreneur of the Year – The Asian Awards

K. Wah International Holdings Limited

Top Ten Developers 2014 by BCI Asia

Silver Award, Real Estate Integrated Development and Investment Category – 2014 International ARC Awards

Best CSR and Best Environmental Responsibility –
The Fourth Asian Excellence Awards by *Corporate Governance Asia*

The Most Promising Award – Top 100 HK Listed Companies 2014 by Finet Group and Tencent Holdings

Manpower Developer – The Fifth ERB Manpower Development Award Scheme

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

Chantilly, Hong Kong

The Prestigious Luxury Residence in Mid-levels East –
The Outstanding Developer Awards by *Capital*





Marinella, Hong Kong

The Platinum Rating of Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council

Merit, Hong Kong Residential (Multiple Buildings) Category – Quality Building Award 2014

Finalist, New Buildings (Completed Buildings) – Green Building Award 2014

Shanghai Jiashen Real Estate Development Co., Ltd – Grand Summit

Best Property Award – 2013 China Excellent Properties (Shanghai)

Shanghai Jiamin Real Estate Development Co., Ltd – Upstream Park

Outstanding Project Exploration and Design in Shanghai (Residential Project and Residential Community Category)

J Metropolis, Guangzhou

Gold Award, 2014 Outstanding Landscape Architecture in Guangzhou

Silver Award, 2013 – 2014 Outstanding Landscape Architecture in Guangdong Province

Dongguan Guangyu Real Estate Development Co., Ltd – Silver Cove

The Most Innovative Real Estate Companies in Dongguan

Silver Cove, Dongguan

2014 The Star of Luxury Residence in Dongguan

The Golden Landmark in Dongguan – Golden Lion Award 2014



Our Mission

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



Nanjing
Shanghai

Yangtze River

Pearl River

Guangzhou
Dongguan
Jiangmen
Hong Kong



Hong Kong

- Marinella
- Chantilly
- Providence Bay
- Providence Peak
- J SENSES (commercial accommodation of J Residence)
- Mayfair By The Sea I
- Twin Peaks
- Corinthia By The Sea
- Yuen Long Town Lot No. 513
- Kai Tak Area 11 Site 2
- 2 Grampian Road
- 30 Po Shan Road

Shanghai

- Grand Summit
- The Palace
- Upstream Park
- Windermere
- Stanford Residences Jing An
- Shanghai K. Wah Centre
- Lot 19-04, Puxing, Pudong District
- Site 7-7, Unit E18, Weifang Village Street, Pudong District

Guangzhou

- J Metropolis
- Huadu Jiahua Plaza
(Phase 1: Crowne Plaza Guangzhou Huadu and office)
(Phase 2: J Wings)
- Le Palais

Nanjing

- Site G68, Maigao Qiao, Qixia District

Dongguan

- Silver Cove

Jiangmen

- The Summit

Financial Calendar

DATES	EVENTS
25 August 2014	Announcement of Interim Results for the six months ended 30 June 2014
21 October 2014	Payment of 2014 Interim Scrip Dividend (with cash option) of 5 HK cents per share
26 March 2015	Announcement of Annual Results for the year ended 31 December 2014
4 June 2015 to 9 June 2015 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2015 Annual General Meeting
9 June 2015	2015 Annual General Meeting
17 June 2015 to 19 June 2015 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2014 Final Dividend
19 June 2015	Record Date for 2014 Final Dividend
22 July 2015	Payment of 2014 Final Scrip Dividend (with cash option) of 10 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*
Professor Poon Chung Kwong, *GBS, PhD, DSc, JP*
Mr. Au Man Chu
Mr. Wong Kwai Lam

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Professor Poon Chung Kwong, *GBS, PhD, DSc, 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 Minsheng Bank
DBS Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Sumitomo Mitsui Banking Corporation
United Overseas Bank

SOLICITORS*

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

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

AMERICAN DEPOSITARY RECEIPTS ("ADRs")#

BNY Mellon Shareowner Services
P.O. Box 30170
College Station
TX 77842-3170
USA

WEBSITE ADDRESS

<http://www.kwih.com>

SHARE LISTING

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

STOCK CODE

HK Stock Exchange : 173
Bloomberg : 173 HK
Reuters : 0173.HK
ADRs : KWHAY

* listed in alphabetical order

the existing ADRs facility will be terminated effective on 1 May 2015

Five Years Summary

CONSOLIDATED PROFIT AND LOSS STATEMENT

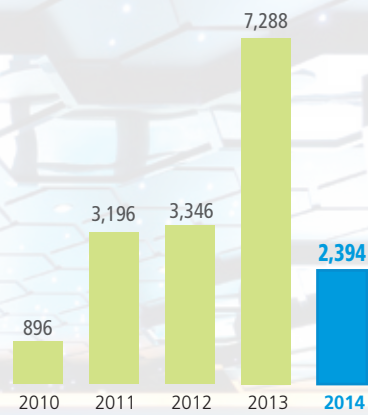
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Revenue	896,056	3,196,361	3,346,477	7,288,415	2,393,967
Profit before tax	441,714	1,825,726	5,105,421	3,003,950	2,707,293
Taxation charge	(194,362)	(543,289)	(733,130)	(1,301,940)	(815,250)
Profit from continuing operations	247,352	1,282,437	4,372,291	1,702,010	1,892,043
Loss from discontinued operations	(6,621)	—	—	—	—
Non-controlling interests	(47,592)	(38,923)	(72,112)	(55,237)	(62,083)
Profit attributable to equity holders of the Company	193,139	1,243,514	4,300,179	1,646,773	1,829,960
Earnings per share (HK cents)	7.6	48.3	163.4	60.9	65.7
Dividend per share (HK cents)	2.0	10.0	15.0	15.0	15.0

CONSOLIDATED BALANCE SHEET

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current assets	5,109,299	5,218,133	5,579,639	5,798,339	8,735,721
Associated companies and joint ventures	3,801,951	3,986,234	4,276,383	4,550,280	3,452,498
Other non-current assets/investments	1,525,786	2,417,304	4,924,835	11,329,422	7,145,083
Net current assets	7,138,393	8,484,564	15,184,661	15,619,295	24,934,237
Employment of capital	17,575,429	20,106,235	29,965,518	37,297,336	44,267,539
Financed by:					
Share capital	255,082	257,690	263,379	271,215	278,715
Reserves	9,953,423	12,491,475	19,093,656	27,347,538	24,866,467
Shareholders' funds	10,208,505	12,749,165	19,357,035	27,618,753	25,145,182
Non-controlling interests	896,919	996,486	1,052,460	1,475,193	1,545,781
Long-term borrowings and guaranteed notes	5,661,799	5,448,377	8,412,763	6,978,267	15,947,623
Other non-current liabilities	808,206	912,207	1,143,260	1,225,123	1,628,953
Capital employed	17,575,429	20,106,235	29,965,518	37,297,336	44,267,539
Net assets value per share (HK\$)	4.00	4.95	7.35	10.18	9.02

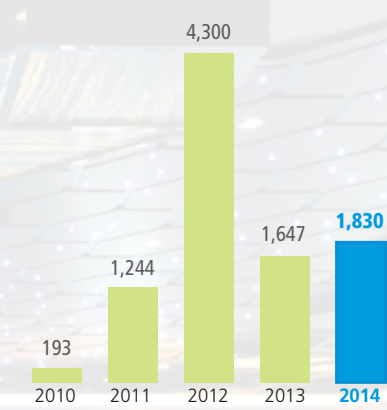
Revenue

(HK\$ Million)



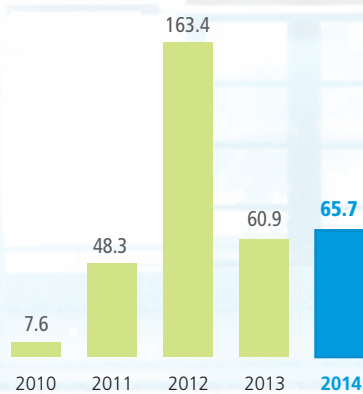
Profit Attributable to Equity Holders of the Company

(HK\$ Million)



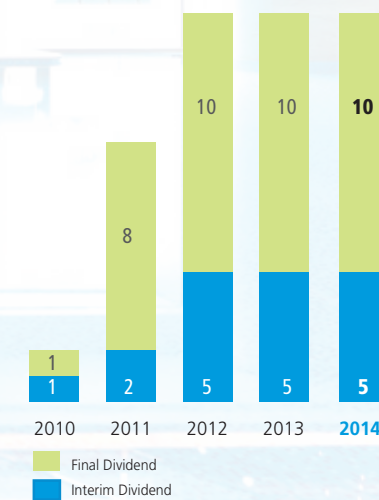
Earnings Per Share

(HK Cents)



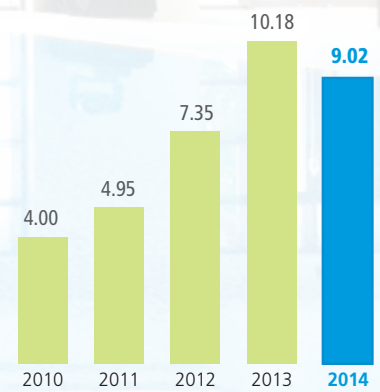
Dividend Per Share

(HK Cents)



Net Assets Value Per Share

(HK\$)



Final Dividend
Interim Dividend

Statement from the Chairman

Dear Shareholders,

The global economy remained challenging in the past year. While uncertainties persisted in the economic recovery for the euro zone, the economy of the United States continued to improve, with increasing market expectations of an interest rate hike. In Mainland China, the economy entered into a “new normal” state of sustainable moderate growth, with interest rate cuts and other monetary easing initiatives providing further support to stable economic development. Coupled with the timely relaxation of regulatory measures, these factors contributed to the stable development of the Mainland property market. In Hong Kong, property prices continued to find support from moderate economic growth and the unceasing demand for premium products, especially small-sized units.

STABLE BUSINESS DEVELOPMENT UNDERPINNED BY SOUND SALES PROGRESS

During the year, K. Wah International Holdings Limited (“KWIH” together with its subsidiaries, the “Group”) reported solid performance in its core business as we continued to launch premium projects which is in line with our commitment to delivering premium niche products. Grand Summit, the Group’s latest up-market project located on a premium site in Jing An District, Shanghai, became an instant market success upon its launch in September 2014. Strong sales ranked Grand Summit second in the city’s high-end property market (with an average selling price of over RMB90,000 per square metre) in terms of GFA sold for the year. Silver Cove, our riverside project in Dongguan acquired in the second half of 2012, made good progress and was launched in November. Market response to Mayfair By The Sea I, a joint venture project in Hong Kong, has been enthusiastic since its launch in June.

Marinella and Chantilly, two signature luxury residential projects in Hong Kong, reported outstanding performance with the sale of a number of special units, as the Group continued to market units in the Mainland and Hong Kong, while our recurring income portfolio remained a source of stable recurring income. As a result, the Group’s profit attributable to equity holders for 2014 amounted to HK\$1.8 billion, representing a year-on-year growth of 11%. Our Board recommended a final dividend of 10 HK cents per share. Together



with the interim dividend of 5 HK cents per share, total dividend for the year amounted to 15 HK cents per share, in line with the Group’s policy of maintaining a stable dividend per share. During the year, the Group was included as a constituent stock of the Hang Seng Composite MidCap Index, reflecting market confidence in our business.

BUSINESS GROWTH DRIVEN BY CONTINUOUS ASSET TURNOVER

The Group is planning to launch several new property developments in 2015 in response to keen demand for quality housing. In Hong Kong, three railway-linked developments, namely, Twin Peaks and Corinthia By The Sea near the Tseung Kwan O Station and Yuen Long Town Lot No. 513 near Long Ping Station, are scheduled to be launched during the year. In the Yangtze River Delta region, Phase 2 of The Palace, a first-class luxury residential development in Xuhui District, Shanghai, will be launched this year following the successful sales of Phase 1 units. Additional units from Grand Summit, another luxury development, will also be offered to the market. In the Pearl River Delta region, Phase 2 of J Metropolis, a mega residential community in Huadu District, Guangzhou, was launched in January 2015, followed by J Wings, the residential units in Phase 2 of Huadu Jiahua Plaza, a large-scale integrated development in the CBD of

Huadu, in late March. There are also plans to launch Phase 3 of J Metropolis and additional units of Silver Cove, Dongguan, during the remainder of the year. Well-devised plans for the development and launch of projects will help the Group to achieve continuous asset turnover.

BUILDING HOMES: VALUE THROUGH QUALITY AND INNOVATION

In early 2014, the Group acquired residential plots in the Kai Tak Development Area in Kowloon, Hong Kong, and adjacent to Silver Cove in Dongguan respectively. Projects currently being marketed, under development or planning, representing assets primarily located in tier-one cities such as Hong Kong, Shanghai and Guangzhou, provide a total GFA of approximately 1.8 million square metres. The Group will continue to replenish its land bank in a disciplined manner by acquiring premium sites in these cities with a highly selective approach, in order to drive sustainable business development.

In view of current market conditions and the diverse requirements of buyers, the Group will seek to build a balanced portfolio with high-end and mass market projects as it continues to build niche properties with unique style and innovative design. In line with its emphasis on quality and innovation, the Group is committed to creating ideal homes that will add value for buyers. On the back of the strong reputation of the K. Wah brand, as well as our well-established presence in the property market for more than half a century, we are determined to continue providing well-crafted fine homes to our customers.

STRONG FINANCIALS AND A PRUDENT ACQUISITION APPROACH

The Group recorded a gearing ratio of 44% and available funds of HK\$11.3 billion as at the end of 2014. The proceeds from the various foregoing property sales will help to reduce the level of gearing. We will continue to seize investment opportunities and endeavour to strike a balance between maintaining prudent financial management and capitalizing on such opportunities.

During the year, the Group further enhanced its financial strength and flexibility, and extended the

average maturity of its debt portfolio with a HK\$3.98 billion 4-year and 5-year syndicated loan and 7-year fixed rate notes totalling HK\$1 billion. In March 2015, we completed another HK\$3.3 billion syndicated loan comprising 4-year and 5-year portions with 11 banks.

Over the next two to three years, the Group intends to increase the GFA of its recurring income portfolio of assets from approximately 130,000 square metres to 200,000 square metres, with a view to increasing the recurring income and further enhancing the stability of dividend payments to shareholders. In March 2014, the Group completed the acquisition of the remaining interest in J SENSES from the Urban Renewal Authority. The leasing of Stanford Residences Jing An, the serviced apartments in Grand Summit, commenced in the first quarter of 2015, while a portion of The Palace has also been reserved as serviced apartments. As such, we are on course to achieve our objective of increasing our recurring income portfolio.

PROTECTING SHAREHOLDERS' INTERESTS WITH STRINGENT CORPORATE GOVERNANCE

Corporate governance is an essential element of the Group's business operations. Responsible for maintaining sound corporate governance, the members of our Board exercise stringent supervision over the Group's business and finances and contribute to the formulation of the Group's development strategies. They also make use of their expertise and experience to ensure consistent compliance with sound business ethics and the highest standards of corporate governance.

Finally, I would like to express on behalf of the Board of Directors my sincere gratitude to all employees who have fulfilled their duties with dedication and commitment during the year to make positive contributions to the Group on various fronts. In the years ahead, let us continue to contribute to the Group's success and overcome the challenges with our concerted effort.

Dr Lui Che-woo
Chairman

26 March 2015

Management Discussion and Analysis

REVIEW OF OPERATIONS

The revenue of the Group for the year ended 31 December 2014 was HK\$2,394 million, which was mainly derived from property sales of Grand Summit, The Palace and Upstream Park in Shanghai, The Summit in Jiangmen and Chantilly in Hong Kong, as well as from the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$422 million) was HK\$2,816 million in 2014, down from HK\$7,662 million last year.

Attributable Contracted Sales of the Group (being contracted sales of the Group and attributable sales contributions from joint ventures and associated companies) in 2014 amounted to approximately HK\$3,300 million, mainly derived from Grand Summit, The Palace and Upstream Park in Shanghai, The Summit in Jiangmen and Chantilly in Hong Kong as well as joint venture projects in Hong Kong. Approximately HK\$2,400 million of the above Attributable Contracted Sales of the Group was recognised in the accounts of the Group in 2014.

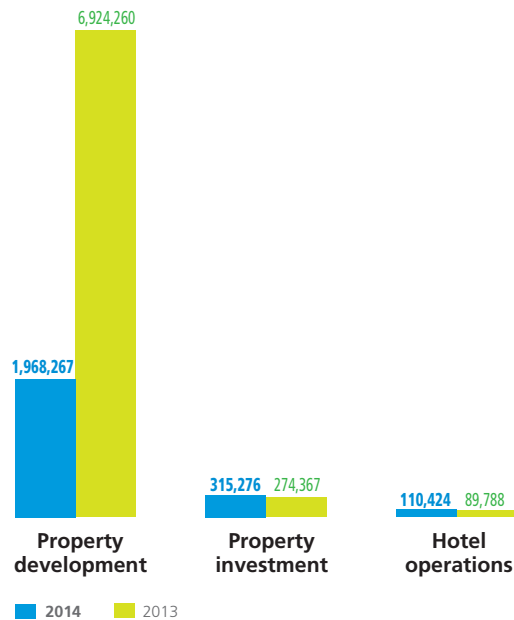
Profit attributable to equity holders of the Company was HK\$1,830 million while underlying profit of the Group was HK\$676 million for the year ended 31 December 2014.

Total comprehensive loss attributable to equity holders of the Company was HK\$2,418 million for the year ended 31 December 2014. The total comprehensive loss mainly came from the decrease in fair value of HK\$4,192 million on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited.

	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)
Operating profit						1,071,314
Year ended 31 December 2013						
Revenue	7,403	6,744,302	172,555	274,367	89,788	7,288,415
Adjusted EBITDA	2,201	2,613,309	112,112	249,672	(224,301)	2,752,993
Other income and expenses/gains, net						(43,008)
Depreciation and amortisation						(46,957)
Operating profit						2,663,028

Revenue by Division

For the year ended 31 December 2014
(HK\$'000)



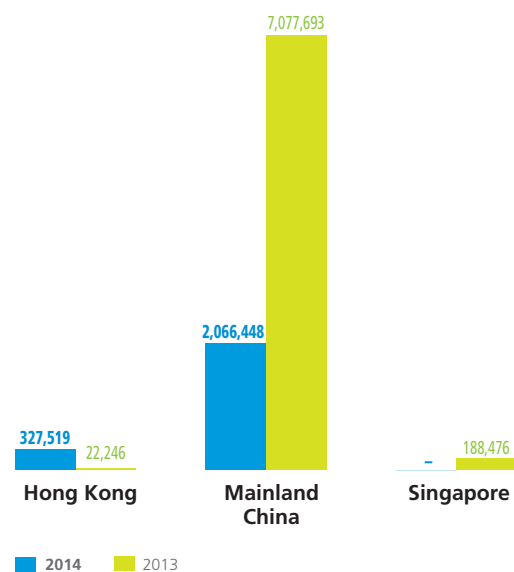
Total Assets by Division

As at 31 December 2014
(HK\$'000)



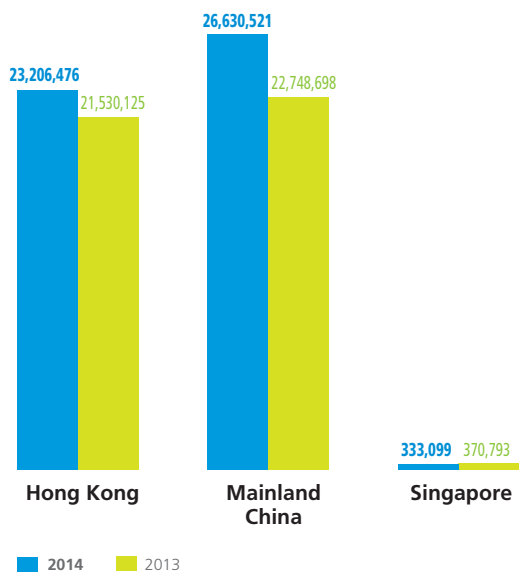
Revenue by Geographical Area

For the year ended 31 December 2014
(HK\$'000)



Total Assets by Geographical Area

As at 31 December 2014
(HK\$'000)



Management Discussion and Analysis



Rendering of Twin Peaks, Hong Kong

Hong Kong

- | | | | |
|---|-------------------------------------|---|--|
| 1 | Marinella | 6 | 2 Grampian Road |
| 2 | Chantilly | 7 | Providence Bay, Providence Peak and Mayfair By The Sea I |
| 3 | J SENSES | 8 | Yuen Long Town Lot No. 513 |
| 4 | 30 Po Shan Road | 9 | Kai Tak Area 1I Site 2 |
| 5 | Twin Peaks and Corinthia By The Sea | | |



Hong Kong

As the market became acclimatised to the property market cooling measures, pent up demand was gradually released during the year. This resulted in a 26% increase in the residential property transaction volume in Hong Kong in 2014. The property price index issued by the Hong Kong SAR Government was up 13% in 2014 and properties less than 40 square metres in size increased 15% owing to the first-time home buyers mostly purchasing affordable small units. The per unit price of small units consequently increased faster than that of the market as a whole.

Most of the property development projects in Hong Kong were under construction or in development during the year and works were progressing well.

(A) Current Major Development Properties

- (i) ***Twin Peaks, Tseung Kwan O (100% owned)***
The Group plans to develop this project into a premium residential development comprising mainly small-sized to medium-sized units with a total GFA of approximately 28,000 square metres. Pre-sale consent has recently been obtained for the launch of the project which enables us to commence the marketing and selling activities. Work on the superstructure is under way, and completion of the project is expected by 2016.
- (ii) ***Corinthia By The Sea, Tseung Kwan O (40% owned)***
This is a premium residential development that is being carried out with another property developer. Total GFA is approximately 45,000 square metres. Pre-sales are expected to start in the first half of 2015. Superstructure work is under way, with an expected completion by 2016.
- (iii) ***Yuen Long Town Lot No.513 (60% owned)***
This is a premium residential development that has been undertaken together with another property developer. Total GFA is approximately 49,000 square metres. Pre-sales are expected to start in the second half of 2015. Foundation work is under way, and the project is expected to be completed by 2017.
- (iv) ***New Kowloon Inland Lot No. 6526, Kai Tak Area 11 Site 2 (100% owned)***
This site is located in the heart of the Kai Tak Development Area near the future Kai Tak station of the Shatin to Central Link, with a total GFA of approximately 51,000 square metres. Planning and design work is currently in progress.
- (v) ***Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)***
This exclusive low-rise luxury residential project with a total GFA of approximately 8,100 square metres has 24 luxury apartments on 12 storeys, an exclusive clubhouse and a swimming pool. The project was completed, and nearly 40% of the residential units have been sold.
- (vi) ***Marinella, Aberdeen, Hong Kong (35% owned)***
Marinella is a luxury residential development in cooperation with other property developers, with the Group as lead partner and project manager. Total GFA is approximately 69,300 square metres comprising 411 units. The development has been completed, and over 95% of the residential units have been sold.
- (vii) ***Providence Bay, Tai Po (15% owned)***
This luxury residential development has been undertaken with other property developers. Total GFA is approximately 78,400 square metres comprising 482 units. The development has been completed, and over 70% of the residential units have been sold.

Management Discussion and Analysis

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

This is a luxury residential development in cooperation with other developers. Total GFA is approximately 83,600 square metres comprising 548 units. The development has been completed, and over 80% of the residential units have been sold.

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

This luxury residential development is being undertaken with another property developer. Total GFA is approximately 67,000 square metres comprising 546 units. Pre-sales began in June 2014, and over 85% of the residential units have been sold. Superstructure work is under way with an expected completion by 2015.

(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 work has been completed with a targeted completion in 2017.

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

This is a luxury residential development in cooperation with another property developer. Total GFA is approximately 3,700 square metres. Planning and design work is currently in progress.

(B) Investment properties

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

J SENSES is a premium dining and shopping arcade located in the heart of Hong Kong Island, with a GFA of approximately 3,400 square metres. It is fully occupied and continues to deliver stable rental income for the Group. In March 2014, the Group completed the acquisition of the remaining 40% interest in J SENSES from the Urban Renewal Authority.

Mainland China

In Mainland China, the property market was generally steady with the first tier cities benefiting from the more balanced supply and demand situation as compared with the second and third tier cities. In Shanghai, for example, residential prices increased 13% overall but the transaction floor area was down 24% in 2014. In addition to supply and demand, other factors also contributed to the increase in property prices such as the type of the units transacted and whether the units were decorated. The transaction volume was mainly affected by the tight mortgage policy, particularly in the first nine months of the year when new mortgage policy facilitated more lending and lowered interest costs.

(A) Current Major Development Properties

Shanghai and Nanjing

(i) Grand Summit, Wulumuqi 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 luxury residential project has a total GFA of approximately 100,000 square metres. Grand Summit went on sale in September 2014 and was completed in December 2014. It received a good response from the market and sales were encouraging. Furthermore, a tower has been retained as serviced apartments named Stanford Residences for long term investment in line with the Group's strategy to increase its recurring income portfolio.

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

This unique luxury development is located in a traditional affluent 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 was completed, and over 95% of the



Grand Summit, Shanghai

Shanghai

- 1 The Palace
- 2 Upstream Park
- 3 Shanghai K. Wah Centre
- 4 Grand Summit and Stanford Residences Jing An
- 5 Windermere
- 6 Site 7-7, Unit E18, Weifang Village Street, Pudong District
- 7 Lot 19-04, Puxing, Pudong District

Nanjing

- 8 Site G68, Maigao Qiao, Qixia District



..... 沪蓉城际高速铁路
 Huning Intercity Express Rail Link
 - - - 外环线
 Outer Ring Road
 - - - 中环线
 Middle Ring Road
 - - - 古中心商务区
 CBD

Management Discussion and Analysis

units have been sold. The second phase of the project covering approximately 35,000 square metres GFA is expected to be completed in 2017. The balance is approximately 69,000 square metres of which approximately 26,000 square metres will be retained as serviced apartments.

(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 comprising 1,424 units. The project was completed, and over 95% of the residential units have been sold.

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

Located in Zhujiajiao Town in Qingpu District, the development comprises low-rise residential buildings with ancillary commercial facilities offering 256 units with a total GFA of approximately 71,000 square metres. The project was completed in the second quarter of 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, with a total GFA of approximately 31,000 square metres. It is within a well-developed residential area with good transportation links to the Pudong CBD. Superstructure work will commence soon, 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 expected to reach completion in 2018.

(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. The project, which enjoys panoramic views due to its elevated position, is in the planning and design stage and expected to reach completion in 2018.

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 hotel, offices and premium residential towers. The first phase, including the hotel and an office tower, has been completed. Construction of the second phase residential development is targeted for completion in 2015, while the final phase is currently under planning.

(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. Now completed, the project has sold over half of the residential units.

(x) *J Metropolis, Xinhuaazhen, Huadu District, Guangzhou (99.99% owned)*

The total GFA of this project is approximately 793,000 square metres, with development to be undertaken in phases. The first phase is approximately 77,000 square metres providing 564 units which



Rendering of J Wings, Guangzhou

Guangzhou

- 1 Le Palais
- 2 Huadu Jiahua Plaza
(Phase 1: Crowne Plaza Guangzhou Huadu and office)
(Phase 2: J Wings)
- 3 J Metropolis

Jiangmen

- 4 The Summit

Dongguan

- 5 Silver Cove



Management Discussion and Analysis

was completed in 2013, and over 80% of the residential units have been sold. The second phase covering approximately 75,000 square metres is under construction with a targeted completion in 2016. Pre-sales started in January 2015 and over 20% of the residential units have been sold. The third phase covering approximately 40,000 square metres is also under construction with a targeted completion in 2016.

(xi) *Silver Cove, Shilong Town, Dongguan (99% 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 within walking distance of the new Dongguan station. Pre-sales started in November 2014 and over 20% of the residential units have been sold. Superstructure work is under way on this residential development, which is scheduled for completion in 2016.

(xii) *North side of Wan Long Road, Xihu Village, Shilong Town, Dongguan (99% owned)*

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

(B) Investment Properties

(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 the year, achieving satisfactory rental income.

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

It is our first serviced apartment project in Shanghai located within the Group's

luxurious residential project Grand Summit with a total GFA of approximately 29,000 square metres. From five-star management services, heartwarming interior decorations to stylish furniture, the Group is dedicated to create a privileged lifestyle for prestigious customers in pursuit of enchanted modern living. It offers a total of 113 units, mainly 3-bedroom 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 approximately 3.8% interest, in GEG carried at fair market value. As of 31 December 2014, the share price of GEG was HK\$43.7 compared with HK\$69.5 as of 31 December 2013. The decrease in fair value of approximately HK\$4,192 million was directly recorded as a decrease in reserve.

OUTLOOK AND STRATEGY

Global and Asian economy

The US continued to be the bright spot in the global economic scene and the US Fed appears to be on course to raise interest rates this year. The euro zone, however, struggled to remain on its recovery course and has recently adopted further quantitative easing alongside Japan. The unexpectedly low oil prices will have stimulus effect on net oil importer economies, but it will also produce deflationary pressure that threatens domestic consumption.

Mainland China is now in a "new normal" phase of slower economic growth with 7.4% GDP growth registered in 2014 and around 7% forecast for 2015. Although the consensus is that Hong Kong's GDP will grow at a faster rate of 2.7% in 2015 (versus 2.3% in 2014), the absolute level is still below the annual average of 3.9% over the past decade.

The property market in Hong Kong and the Mainland

The underlying fundamentals of the Hong Kong residential property market remain strong, with pent up demand particularly evident in the small size segment. The unit price of small flats continued to increase

in 2014, resulting in further mortgage tightening measures announced by the Hong Kong Monetary Authority in late February 2015. This was on top of the various tax and mortgage tightening measures implemented in the past few years. The new measures are expected to have some impact on both prices and transaction volumes in the local residential property market.

The property market in the Mainland has been generally steady with first tier cities better positioned on the back of their balanced supply and demand situation. Purchase restrictions have mostly been relaxed in cities other than the four first tier cities. Monetary policy has recently been loosened via interest rate reductions and the lowering of bank reserve requirements.

As we operate predominantly in key cities such as Hong Kong, Shanghai and Guangzhou, we expect steady development in these markets on the back of their sound fundamentals.

Project sales and progress

In Hong Kong, the Group has recently obtained the pre-sale consent for the launch of Twin Peaks in Tseung Kwan O which enables us to commence the marketing and selling activities. Depending on project progress, the Group also plans to launch the 40%-owned Corinthia by the Sea in the first half of 2015 and 60%-owned Yuen Long Town Lot No. 513 adjacent to Long Ping MTR station towards the end of the year or early next year. The revenue generated from these three projects will not be booked in 2015. We will also continue to market the available units in Chantilly and joint venture projects Marinella, Providence Bay, Providence Peak and Mayfair by the Sea I.

In Shanghai, depending on project progress, the Group plans to launch phase 2 of The Palace in the second half of 2015 and the revenue generated will not be booked this year. We will continue to market Grand Summit which was launched in September last year and existing stocks in Upstream Park.

In Guangzhou, phase 2 of J Metropolis was launched in January 2015 and depending on project progress, we plan to launch phase 3 of J Metropolis in the second half of this year. The J Wings project (phases 2 of Huadu Jiahua Plaza) has just been launched. The revenue from The J Wings will be booked in 2015 while that of J Metropolis phases 2 and 3 will not. We will continue to market the available units in Le Palais and J Metropolis phase 1 in Guangzhou, Silver Cove in Dongguan and The Summit in Jiangmen.

Land-bank replenishment

We successfully won the tender for the Kai Tak site in Hong Kong and the auction of the site adjacent to our existing project Silver Cove in Dongguan in 2014. We will continue to exercise discipline in our land banking approach in our core cities of Hong Kong, Shanghai and Guangzhou.

Recurring income

It has been our stated strategy to increase the recurring income of the Group by expanding our investment property portfolio. We acquired the remaining interest owned by the Urban Renewal Authority in J SENSES in Hong Kong in 2014 while serviced apartment Stanford Residences (Tower 3 of Grand Summit) in Shanghai is ready for marketing to potential customers. These bring the gross floor area of the recurring income portfolio from around 100,000 square metres to around 130,000 square metres. We plan to add approximately 70,000 square metres or so to take the gross floor area of the recurring income portfolio to around 200,000 square metres in the next two to three years. The dividend income derived from our 3.8% interest in Galaxy Entertainment Group Limited will further augment our recurring income.

Conclusion

The pace of interest hikes in the US and their impact on the global economy remains uncertain this year. The Group will focus on the sales pipeline outlined above and closely monitor project construction progress and land-banking opportunities as and when they arise. Our mission remains to create shareholder value through diligent property development and investment activities as well as careful management of the various risks involved.

Management Discussion and Analysis

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained robust. Total funds employed were increased to HK\$44 billion as of 31 December 2014 (2013: HK\$39 billion). The number of issued shares of the Company increased to 2,787,154,270 as of 31 December 2014 (2013: 2,712,152,918) as a result of certain share options being exercised and the issue 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 2014, cash and bank deposits stood at HK\$6,039 million, and total borrowings amounted to HK\$17,772 million. Of the long-term bank borrowings, around 90% had maturities of one year and above.

In addition, the Group had available undrawn facilities totaling HK\$5,241 million and HK\$8,605 million for working capital and project facility purposes respectively.

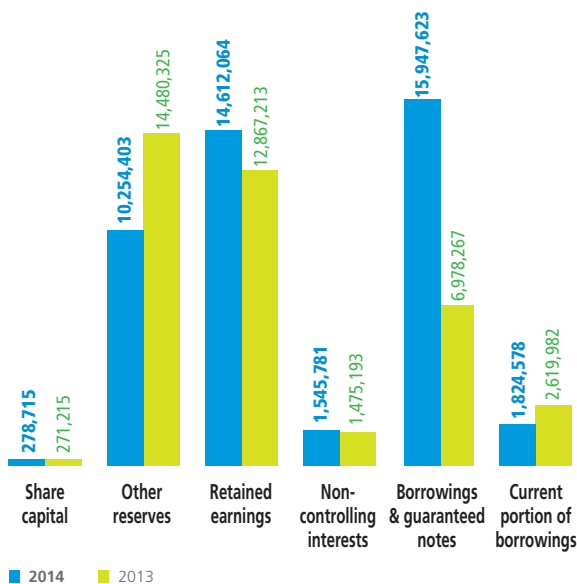
The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, increased to 44% as of 31 December 2014 (2013: 14%), which was an acceptable level.

In March 2014, the Group successfully arranged a syndicated loan of HK\$3.98 billion, and also completed another syndicated loan of HK\$3.3 billion on 9 March 2015, with a well-diversified consortium of banks. Part of the proceeds has been used for refinancing, while the remaining will serve as general working capital to enhance the Group's liquidity.

We also issued HK\$1 billion 7-year Fixed Rate Notes at attractive costs under our MTN programme through private placements during 2014. These private placements have lengthened the average duration of our debt profile.

Sources of Funding

As at 31 December 2014
(HK\$'000)



Treasury Policies

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

During the year, the Group engaged in the use of forward foreign exchange contracts to mitigate US dollar exposure in respect of the US dollar guaranteed notes. The Group has also engaged in the use of interest rate swap contracts to avoid the impact of any undue interest rate fluctuations on the Hong Kong dollar guaranteed notes and a certain portion of the 5-year syndicated loan raised in 2013.

Charges on Group Assets

As of 31 December 2014, 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\$20,028 million (2013: HK\$11,560 million)

to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2014, the Company has executed guarantees, in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK\$23,346 million (2013: HK\$12,748 million), HK\$117 million (2013: HK\$117 million) and HK\$1,000 million (2013: HK\$641 million), of which facilities totaling HK\$12,938 million (2013: HK\$6,184 million), HK\$117 million (2013: HK\$117 million) and HK\$440 million (2013: HK\$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$123 million (2013: HK\$158 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

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.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2014, the Group, excluding its associated companies and joint ventures, employed 917 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$346 million for the year under review.

The Group believes its success, long-term growth and development 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. 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 and regards it as an important component of the Group's human resources strategy.

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 safety 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 in our advertising materials.

Management Chatroom



Front row, from left: Dr William Yip Shue Lam; Dr Lui Che-woo; Dr Robin Chan Yau Hing
 Back row, from left: Wong Kwai Lam; Professor Poon Chung Kwong; Alexander Lui Yiu Wah; Paddy Tang Lui Wai Yu; Dr Moses Cheng Mo Chi; Au Man Chu

1. What is KWIH's take on recent developments and the future outlook of the property markets in Hong Kong and Mainland China?

In Hong Kong, the government has been actively increasing land supply in recent years. We believe the effect of its actions will gradually be realized to optimize supply and demand, which will help to steer Hong Kong's property market towards healthier and more stable development. We believe the market will be able to take up future supply, as property purchases for self-use remain the best investment option for people in a low-interest rate market fuelled by quantitative easing, in addition to the persistent intrinsic demand for property.

We expect stable development in the Mainland property market, underpinned by the relaxation of the regulatory policies. Most of our projects in Mainland China are located at prime sites in well-developed communities of first-tier cities, so we have confidence in our projects.

2. What strategy will the Group adopt in line with its outlook for the property market?

Projects launched, under development or planning by the Group are premium assets located in tier-one cities such as Hong Kong, Shanghai and Guangzhou, providing a total GFA of approximately 1.8 million square metres.

The Group will also seek to maintain a balanced portfolio with high-end and mass market properties catering to the demands of different market segments. In fact, we have started the successive launch of the nine projects acquired since the second half of 2012 with land premium payments totalling over HK\$10 billion. With our clear project development and launch plans, we will be able to realize our target of continuous asset turnover.

3. In recent years, small- to medium-sized units accounted for a larger share of the Group's developments. How does the Group incorporate its experience in developing high-end properties in these developments?

"Innovation and exquisite quality" are core to KWIH's business philosophy. We believe these principles are upheld by small- to medium-sized projects in the same way as our high-end developments. They are distinguished by their innovative designs, premium materials and highly practical features, as well as their prestigious locations in well-developed districts supported by comprehensive transportation and nearby community facilities. We believe these features set them apart from the competition in this market segment.

Twin Peaks, our project located along the Tseung Kwan O Line and now being launched, features twin towers in an arch comprising two blocks in a twin-butterfly shape, a design with innovative ideas in the Tseung Kwan O South community. Its oblong partitioning and diverse unit types, coupled with convenient traffic access and shopping facilities, should prove attractive to potential homebuyers.

As environmental protection has become an increasingly important concern for buyers given growing environmental awareness in the society, we have incorporated a number of green elements in our projects. For example, Marinella achieved the Platinum Rating of Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council. This experience will continue to be applied in other properties such as Kai Tak Area 11 Site 2 in Hong Kong, a project acquired last year, which will be developed as the first "Resort Apartment" in the area and is set to become a landmark seaside residential development with extensive landscaping.

Meanwhile, the Group will continue to optimize the development process and designs leveraging its longstanding experience in the property industry. We will apply value engineering principles, as well as introduce novel and pragmatic materials and innovative building technologies to optimize the details of each work segment to make our projects better value for money, while reducing excessive consumption and unwarranted expenses to enhance cost efficiency.

4. What is the progress of the Group's plans to expand its recurring income portfolio?

The Group is gradually realizing its target of increasing the GFA of its recurring income portfolio of assets to 200,000 square metres in two to three years, with a view to increasing recurring income and further enhancing the stability of dividend payments to shareholders.

Our acquisition of the remaining interest in J SENSES from the Urban Renewal Authority in March 2014 represents a step in this plan. Moreover, the launch of Stanford Residences Jing An, our serviced apartments at Grand Summit, in the first quarter of 2015 increased the GFA of our recurring income property portfolio to 130,000 square metres. A portion of The Palace has also been reserved as serviced apartments, and construction is now well underway.

In short, the Group is increasing its recurring income property portfolio on top of its existing portfolio of Shanghai K. Wah Centre, J SENSES in Hong Kong and Crowne Plaza Guangzhou Huadu and office.

5. Why did the Group's debt ratio increase from 14% as at end of 2013 to 44% as at end of 2014? Do you think this will affect your dividend policy and land replenishment plans?

The increase is mainly attributable to our land premium payments for the Kai Tak site in Hong Kong and sites in Shanghai and Nanjing, which were acquired by the Group in the second half of 2013 and last year.

The overall financial position of the Group remains sound, with ample liquidity. As at the end of December 2014, available funds of the Group amounted to HK\$11.3 billion, comprising HK\$6.0 billion in cash and bank deposits and HK\$5.3 billion in committed undrawn facilities. Moreover, the Group just recently secured a HK\$3.3 billion syndicated loan with 11 banks in early March 2015, which will further enhance its financial flexibility.

The proceeds from the various foregoing property sales will help to reduce the level of gearing. We will continue to seize suitable investment opportunities and endeavour to strike a balance between maintaining prudent financial management and capitalizing on investment opportunities.

The Group's dividend for the year remained stable, with a final dividend of 10 HK cents per share. Together with the interim dividend of 5 HK cents per share, this represented a total dividend of 15 HK cents per share for the year. The solid financial position and stable recurring income of the Group, coupled with the aforesaid plan to expand its portfolio of recurring income portfolio, will support the Group's objective of maintaining a stable dividend per share.

Corporate Citizenship

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 art and culture, environmental protection and community work.

We adopt a four pronged approach to our community engagement and corporate citizenship programmes.

OUR FOCUS – THE GROUP’S PHILANTHROPY IS FOCUSED ON FOUR CORE AREAS:

<p>Protecting the Environment Programmes that preserve the local environment and support the Group’s sustainability goals.</p>	<p>Caring for Employees Programmes to improve teamwork and quality of life, and promote life-long learning and personal development.</p>
<p>Reaching out to the Community Programmes that assist children and the elderly, and empower the disadvantaged to strengthen their communities.</p>	<p>Promoting Art and Culture Initiatives that focus on increasing access to education and promoting art and thus a harmonious community.</p>

The Group has once again been named as a Caring Company by The Hong Kong Council of Social Service in recognition of its contributions to building a cohesive society, and inspiring corporate social responsibility by caring for the community, our employees and the environment.

Ultimately our community programmes support our efforts in creating a sustainable and cohesive society in areas we feel make best use of our skills, expertise and influence, whilst at the same time addressing the most pressing issues facing our local communities.

PROTECTING THE ENVIRONMENT

Environmental considerations are at the front of our mind during all stages of project planning, design and construction, to ensure that we comply with and exceed environmental standards and regulations.

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 (photo 1).



As a responsible property developer, we do not just develop buildings, we help to create communities in which people live and work. In order to extend our positive impact beyond the doors of our properties, we actively support a number of environmental Non-Governmental Organizations (NGOs) that share our environmental vision.

The Group has continued to be a Saturn Partner of Friends of the Earth. We encourage our employees to live the 'Green' values of the organization, by saving energy, reducing consumption, recycling and donating surplus food to the underprivileged via food banks in order to reduce the amount of waste going to landfill.

In April 2014, K. Wah Social Club volunteers participated in the Tree Planting Challenge 2014 (photo 2) organized by Friends of the Earth (HK). They planted around 120 trees at the Ma On Shan Country Park, helping to conserve natural vegetation, stabilize a slope and reduce our carbon footprint.

In June 2014, the Group initiated the Home Appliance Donation Campaign (photo 3), encouraging its staff to donate unused home appliances to the "WEEE Go Green" programme, a community waste recovery initiative run by the Non-Governmental Organization (NGO) St. James' Settlement. The collected items would then be examined, repaired and finally donated to families in need. Any un-usable appliances that were collected would be disassembled into their constituent components for further recycling and waste reduction.

CARING FOR EMPLOYEES

The Group understands the value in creating a competent and capable workforce for its long term sustainability. Through its training and development activities (photo 4), the Group strives to instil 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.

The Group currently incorporates a number of internal and external training strategies. Internal courses on offer are diverse and range from an orientation for new joiners on work place policies and culture, to annual training programmes directed at various employee levels. The external training programmes emphasize the ability to equip employees with perspectives and expertise. Financial assistance is provided on a number of courses to meet ever changing corporate needs and address a desire for personal development.

We are committed to enhancing our staff's quality of life. The Group takes the added initiative of organizing discussions on diet and physiotherapy while also providing counselling services. Tai Chi and Yoga classes (photo 5) are conducted to promote a more active, balanced lifestyle while fruit is distributed on a bi-weekly basis.



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3



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Corporate Citizenship

As part of its family-friendly policy, the Group organized a number of recreational programmes, actively inviting our employees to bring their family members to join in. In October 2014, the Group organized a visit to the Hello Kitty Go Green Organic Farm (photos 6&7), for staff members to get out of the space, and experience the fun of farming.

REACHING OUT TO THE COMMUNITY

With an aging population and rising levels of poverty, caring for the elderly and disadvantaged has become a major concern in the Hong Kong community.

As a company we are committed to fulfilling our responsibilities as a corporate citizen and partnering with our employees in aiding the underprivileged and elderly.

In May 2014, the Group collaborated with St. James' Settlement to celebrate Mother's Day with less privileged families from the Sham Shui Po District at the Kowloon Kindness Centre (photo 8) by making handmade Mother's Day cards with children, while their parents created photo frames to keep memories of this special occasion. The Group volunteers also brought bouquets of flowers for the mothers and gift packs for the children. After a buffet lunch, all participants went on a guided bus tour to various landmarks and scenic spots on Hong Kong Island.

In July 2014, the Group staff volunteers in cooperation with GMC Hong Kong Members Association visited the low-income families and senior citizens in Lok Fu Estate (photos 9&10). The following month, staff members and their friends and family provided care and seasons



blessings to elderly citizens living in Lai Tak Tsuen, providing them with festive gift packs including fruit and mooncakes.

PROMOTING ART AND CULTURE

The Group is an ardent supporter of the arts. As the Honourary Patron of Opera Hong Kong, we have supported numerous local education and outreach programmes to build appreciation for the art of opera.

The Group has continued to support the annual Opera Hong Kong Summer School and sponsored children of our staff members to participate in the training and performances. Participants received a three-week singing, dancing and vocal training programme, that culminated in a graduation performance of *Fiddler on the Roof Jr.* (photo 11) which took place on 23 and 24 August 2014. The hope is that the summer school can benefit children and teenagers with musical talent,

broadening their vision, enhancing their self-confidence and sense of teamwork, and helping them realize their potential.

The Group sponsored the Opera Fantastique performance of *Faust* (photo 12) on 9 May 2014, co-presented by Opera Hong Kong and Le French May. This showcase of the world-class opera helped promote the unique art form to the Hong Kong community and helped cultivate an appreciation of opera within the local art scene. The Group also invited representatives from the investment community, business partners and staff to enjoy the show (photo 13).



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Investor Relations



KWIH undertakes to maintain a high level of transparency to investors.

The Group organizes press conferences, site visits, roadshows and investor presentations from time to time, as well as taking part in major investor conferences and one-on-one meetings to maintain close liaison with investors, while information on the Group's financial updates, business plans and strategies are also made available through announcements, press releases, annual reports and interim reports posted on our website. The Group enjoys a high profile in the investment community, being covered by a number of international brokerages with regular analyst reports and recommended by stock commentators and investment advice columns from time to time.

KWIH's commitment to investor relations has earned it numerous awards. Our annual report has garnered Silver Award for the Real Estate Integrated Development and Investment Category in the

International ARC Awards as the only winner in that category. We are also honoured with the Most Promising Award at Top 100 HK Listed Companies 2014. In addition, 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*. These awards indicate that the Group's effort in investors' communication, transparency and corporate governance has been well recognized in the market.

Investor relations activities in 2014

Results presentations	2
One-on-one meetings	71
Non-deal roadshows	4
Major investor conferences	6
Luncheon meetings/presentations	3
Site visits	7
Number of participants	Over 300

Corporate Governance Report

As at 26 March 2015

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2014.

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 10 Board members: the Chairman and Managing Director, 3 other executive Directors ("EDs"), one non-executive Director ("NED") and 5 independent non-executive Directors ("INEDs"); of which one of the INEDs has accounting professional qualification. The biographical details of each Director who served during the year and up to the date of this Report are set out on pages 47 to 51 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 2014, 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 October 2014 for approving a continuing connected transaction for the Master Lease Agreement as disclosed in the announcement of the Company dated 27 October 2014. 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

Corporate Governance Report

As at 26 March 2015

circulation of written resolutions with supporting 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 2014. 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 2014 is as follows:

Name of Directors	Meetings attended/Eligible to attend				
	Board Meeting (5)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Nomination Committee Meeting (1)	Annual General Meeting (1)
Executive Directors					
Lui Che-woo (Chairman & Managing Director) ¹	4/5	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung ²	0/5	N/A	N/A	N/A	0/1
Paddy Tang Lui Wai Yu ³	4/5	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah ⁴	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Moses Cheng Mo Chi	4/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Robin Chan Yau Hing	4/5	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	5/5	2/2	N/A	N/A	1/1
Au Man Chu	4/5	2/2	N/A	N/A	0/1
Wong Kwai Lam	5/5	N/A	1/1	1/1	1/1
Total	40/50	6/6	3/3	3/3	8/10
Average attendance rate	80%	100%	100%	100%	80%

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.

Corporate Governance Report

As at 26 March 2015

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 2015 annual general meeting ("2015 AGM") of the Company, Dr. William Yip Shue Lam, Mr. Au Man Chu and Mr. Wong Kwai Lam (all are INEDs) will retire by rotation and, being eligible, will offer themselves for re-election.

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 5 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 "Overview on Hong Kong's Political Development"; and
- (2) seminar on "Embracing transparency: Hong Kong's corporate disclosure reforms".

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

Members of the Board	Attending Seminars	Reading Materials
Executive Directors		
Lui Che-woo	(1)	(2)
Francis Lui Yiu Tung	—	(2)
Paddy Tang Lui Wai Yu	(1),(2)	—
Alexander Lui Yiu Wah	(1),(2)	—
Non-executive Director		
Moses Cheng Mo Chi	(1),(2)	—
Independent Non-executive Directors		
Robin Chan Yau Hing	(1)	(2)
William Yip Shue Lam	(1),(2)	—
Poon Chung Kwong	(1),(2)	—
Au Man Chu	(2)	—
Wong Kwai Lam	(1)	(2)

Model Code for Securities Transactions by Directors The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2014. 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 continuing connected transactions disclosed in the Report of the Directors, none of the Directors had, at any time during the year 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 26 March 2015

During the year under review, the Board reviewed the revised Policy for Nomination of Directors, the revised 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 Department 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 unpublished price-sensitive 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 39 (Dr. William Yip Shue Lam, Dr. Lui Che-woo and Mr. Wong Kwai Lam) and is chaired by Dr. William Yip Shue Lam (INED). The Company Secretary acts as the secretary of the Remuneration Committee, who has kept full minutes of the Remuneration Committee meetings with drafts and final versions 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 27 January 2014, reviewed and approved the 2013 year-end bonus paid to the EDs;
- on 24 March 2014, reviewed the level of Directors’ fees for 2013 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2014;
- on 30 September 2014, considered and endorsed the Executive Board’s Share Option Scheme 17th Offer Proposal on granting options to (among others) Directors;
- on 26 January 2015, reviewed and approved the 2014 year-ended bonus paid to EDs; and
- 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.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2014 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2015 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 2014 are set out in notes 12 and 13 to the 2014 Financial Statements respectively.

Nomination Committee The Nomination Committee of the Company comprises 3 members identified in the table on page 39 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. Lui Che-woo. The Company Secretary acts as the secretary of the Nomination Committee, who has kept full minutes of the Nomination Committee meetings with drafts and final versions being circulated to members for their comments and records respectively within a reasonable time after the relevant meetings.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; conducting assessment of the independence of each INED and the management of Board succession. In order to facilitate its functions for the nomination of procedures and the process and criteria to select and recommend candidates for directorship of the Company, 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 2014, the Nomination Committee met once in March 2014 with all members attended. At its meeting held on 20 March 2015, the 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 2015 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 in ensuring its compliance with its external financial reporting obligations and internal control and compliance.

The Audit Committee comprises 3 INEDs (Dr. William Yip Shue Lam, Professor Poon Chung Kwong and Mr. Au Man Chu), identified in the table on page 39 and is chaired by Dr. William Yip Shue Lam. The Company Secretary acts as the secretary of the Audit Committee, who has kept full minutes of the Audit Committee meetings with drafts and final versions being circulated to the members for their comment and records respectively within a reasonable time after the relevant meetings. Regular attendees at the Audit Committee meetings are the 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.

Corporate Governance Report

As at 26 March 2015

In 2014, the Audit Committee met twice in March 2014 for reviewing the Group's 2013 annual results and financial statements and in August 2014 for reviewing the Group's 2014 interim results and financial statements. At its meeting on 20 March 2015, the Audit Committee reviewed the Group's annual results and financial statements for 2014 and also the report on the effectiveness of the risk assessment and internal control system of the Group from the internal audit department. Each meeting received written reports and papers from PwC.

The 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 2015 AGM. An analysis of the fees for 2014 paid to Auditors appears in note 10 to the 2014 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 61 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 The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's system of internal controls.

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.

In compliance with CP C.2.2 of the CG Code, internal audit department 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 2014 and up to the date of the financial statements, there was no significant control failure, as the internal audit department so reported to the Board through the Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board established a shareholders communication policy in March 2012 setting out the principles of the Company in relation to its communication with the Shareholders, with the objective of ensuring the effective and timely dissemination of information to Shareholders at all times. In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes sure these materials, which contain extensive information about the Group's activities, timely available for access by Shareholders on both the websites of the Company and HKEx. The Company's website at 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.

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 2014 annual general meeting ("2014 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2014 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 2014 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 2014 AGM to Shareholders more than 20 clear business days before the 2014 AGM. The Chairman of the 2015 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2015 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

Corporate Governance Report

As at 26 March 2015

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 and 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 2014, 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, the 5 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 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.

CP A.6.7 — Mr. Au Man Chu, an INED, was unable to attend the 2014 AGM held on 12 June 2014 due to other commitment.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Lui Che-woo, GBM, MBE, JP, LLD, DSSc, DBA, aged 85, 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 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 59, 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 and 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 61, joined K. Wah group in 1980 and has been an executive Director 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

Biographical Information of Directors

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 52, 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 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 Jiangnan 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 Jiangnan 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. Mr. Lui was appointed as the 4th Guest Supervisor for 2013–2015 of Huanggang Exit-Entry Frontier Inspection Station on 30 September 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). Mr. Lui was appointed as the managing vice-chairman and a standing committee member of Hong Kong Federation of Guangzhou Associations on 23 March 2015. 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 has become a member of the executive committee since 2003. He was the vice-chairman of the 5th Board of Directors of Guangzhou Municipal Committee Hong Kong Members Association from 25 September 2009 to 24 September 2012. 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.

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, GBS, OBE, JP, aged 65, has been a non-executive Director of the Company since August 2009. Dr. Cheng is a practising solicitor and a senior partner of P.C. Woo & Co., a Hong Kong firm of solicitors. 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 Enterprise, 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 was appointed as the chairman of the Process Review Panel for Securities and Futures Commission on 1 November 2012. He has been re-designated as an independent non-executive director of Guangdong Investment Limited with effect from 15 November 2012. 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). On 13 June 2013, he was also appointed as an independent non-executive director of NW Hotel Investments Company Limited ("NW Hotel") and NWHI Manager Limited which is the trustee-manager of NW Hotel Investments ("NWHI Trust"), both NW Hotel and the NWHI Trust had applied for new listing on the Main Board of the HK Stock Exchange. Dr. Cheng has retired as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (a public listed company on the Main Board of the HK Stock Exchange) with effect from 23 April 2012. 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. In addition, Dr. Cheng was appointed as the chairman of the Committee on Free Kindergarten Education on 8 April 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, GBS, LL.D, JP, aged 82, 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

Biographical Information of Directors

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, LLD, aged 77, 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. Dr. Yip 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.

Professor Poon Chung Kwong, GBS, PhD, DSc, JP, aged 75, has been an independent non-executive Director since August 2009 and a member of the audit committee of the Company since March 2011. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology and University of Southern California. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organization). He is an Emeritus Professor and the President Emeritus of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of Hopewell Highway Infrastructure Limited, The Hong Kong and China Gas Company Limited, Henderson Land Development Company Limited and Chevalier International Holdings Limited, all of which are public listed companies on the Main Board of the HK Stock Exchange. Save as disclosed herein, he has no previous directorships in other public listed company in the last 3 years. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989, and he received the OBE award in 1991, the Gold Bauhinia Star (GBS) award by the Government of the HKSAR in 2002, the “Leader of the Year Awards 2008 (Education)”. In addition, Professor Poon was appointed a member of the Legislative Council (1985–1991) and a member of the National Committee of the Chinese People’s Political Consultative Conference (1998–2013).

Mr. Au Man Chu, aged 64, 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 he has been re-designated as one of its non-executive directors since 1 January 2004. He is also a director of Hong Kong International Film Festival Society Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

Mr. Wong Kwai Lam, aged 65, 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 22 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 also appointed as an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited (“LHIL”) (a publicly-listed company on the Main Board of the HK Stock Exchange) and LHIL Manager Limited (“LHIL Manager”) which is the trustee-manager of Langham Hospitality Investments (“LHI Trust”). 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. 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. 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. He was conferred with an honorary fellowship by CUHK on 12 May 2014 and has also been appointed as a member of the governing board of CUHK Medical Centre Limited in June 2014.

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 2014 (“2014 Financial Statements”).

PRINCIPAL ACTIVITIES

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 41 to the 2014 Financial Statements.

RESULTS AND APPROPRIATIONS

The 2014 Financial Statements on pages 62 to 130 of this annual report set out the results of the Group for the year ended 31 December 2014.

An interim scrip dividend (with 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 cash option) of HK\$0.1 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.15 (2013: HK\$0.15 per Share). Details of dividends are set out in note 17 to the 2014 Financial Statements.

SHARE CAPITAL

Note 29 to the 2014 Financial Statements contains details of the Company’s share capital and the increase in issued share capital of the Company during the year was due to exercise of options and 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.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 31 to the 2014 Financial Statements.

The distributable reserves of the Company as at 31 December 2014 amounted to HK\$1,701,504,000 (2013: HK\$1,741,595,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$4,040,000 (2013: HK\$2,408,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the 2014 Financial Statements.

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2014 for investment and development purposes are set out on pages 131 to 132 of this annual report.

DIRECTORS

The Directors 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, Mr. Au Man Chu and Mr. Wong Kwai Lam.

Biographical details of the current Directors are set out on pages 47 to 51 of this annual report.

In accordance with bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Dr. William Yip Shue Lam, Mr. Au Man Chu and Mr. Wong Kwai Lam will retire by rotation at the forthcoming 2015 annual general meeting of the Company (“2015 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 2015 AGM, the following fees in respect of year ended 31 December 2014 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' INTERESTS IN CONTRACTS

Save as disclosed in this Report of the Directors, no contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted as at 31 December 2014 or at any time during the year ended on that date.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2014, the interests and short positions of each Director in the Shares, underlying Shares and debentures of the Company or any of its 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	21,883,798	8,317,120 ⁽¹⁾	3,660,766 ⁽²⁾	1,652,420,993 ⁽³⁾	1,686,282,677 ⁽⁶⁾	60.50
Francis Lui Yiu Tung	8,738,035	—	—	1,652,420,993 ⁽³⁾	1,661,159,028 ⁽⁶⁾	59.60
Paddy Tang Lui Wai Yu	21,927,605	—	—	1,652,420,993 ⁽³⁾	1,674,348,598 ⁽⁶⁾	60.07
Alexander Lui Yiu Wah	13,673,234	—	3,859,147 ⁽⁴⁾	1,652,420,993 ⁽³⁾	1,669,953,374 ⁽⁶⁾	59.92
Moses Cheng Mo Chi	560,000	—	—	—	560,000 ⁽⁶⁾	0.02
Robin Chan Yau Hing ⁽⁵⁾	2,154,506	—	—	—	2,154,506 ⁽⁶⁾	0.08
William Yip Shue Lam	572,726	—	—	—	572,726 ⁽⁶⁾	0.02
Poon Chung Kwong	560,000	—	—	—	560,000 ⁽⁶⁾	0.02
Au Man Chu	560,000	—	—	—	560,000 ⁽⁶⁾	0.02
Wong Kwai Lam	760,000	—	—	—	760,000 ⁽⁶⁾	0.03

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

Report of the Directors

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 a company which is beneficially owned and 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.
- (6) As of the date of this Report of the Directors, the number of such Shares held by the respective Director remained unchanged.

(B) Underlying Shares — Share Options

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

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, 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 share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 31 December 2014, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2014, 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	1,652,420,993 ⁽³⁾	59.29
HSBC International Trustee Limited	1,532,793,048 ⁽¹⁾⁽³⁾	54.99
Super Focus Company Limited	1,218,151,584 ⁽³⁾	43.71
Southeastern Asset Management, Inc.	251,787,398 ⁽²⁾	9.03
Star II Limited	228,065,518 ⁽³⁾	8.18
Favor Right Investments Limited	163,987,649 ⁽³⁾	5.88
Premium Capital Profits Limited	159,285,715 ⁽³⁾	5.71

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 1,532,793,048 Shares. Following the allotment of new Shares for interim scrip dividend for the six months ended 30 June 2014 on 21 October 2014, the shareholding of HSBC International Trustee Limited was increased to 1,652,420,993 Shares. Such Shares are the aggregation of (i) 163,987,649 Shares held by Favor Right Investments Limited, (ii) 42,216,242 Shares held by Best Chance

Investments Limited, (iii) 1,218,151,584 Shares held by Super Focus Company Limited, (iv) 159,285,715 Shares held by Premium Capital Profits Limited, and (v) 68,779,803 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

- (2) As of the date of this Report of the Directors, the shareholding of Southeastern Asset Management, Inc. was increased to 279,111,601 Shares, represented approximately 10.01% of the issued Share capital of the Company.
- (3) Save as disclosed in Note (2) above, the shareholding of such Shareholders remained unchanged as of the date of this Report of the Directors.

There was duplication of interests of 1,652,420,993 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, 1,218,151,584 Shares were interested by Super Focus Company Limited, 42,216,242 Shares were interested by Best Chance Investments Limited, 163,987,649 Shares were interested by Favor Right Investments Limited, 159,285,715 Shares were interested between Premium Capital Profits Limited and Star II Limited and 68,779,803 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2014 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.

Report of the Directors

(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 47,650,000 Shares, which represented approximately 1.7% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

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

(5) Option period

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

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

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

(7) Payment on acceptance of the option

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

(8) Basis of determining the subscription price

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

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

(9) Effects of re-organisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of a capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue, consolidation or subdivision of shares or reduction of capital, such corresponding alterations (if any) shall be made to: (a) the number and/or nominal amount of Shares subject to the option so far as unexercised; (b) the subscription price; and/or (c) the maximum number of Shares subject to the Share Option Scheme, as the auditors shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalization issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the

aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued

share capital of the Company for which any option holder is entitled to subscribe pursuant to the options held by him.

(10) The remaining life of the Share Option Scheme

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

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 2014, were as follows:

Holders	Date of grant	Number of options				Held at 31 December 2014	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2014	Granted during the year ^(a)	Exercised during the year	Lapsed during the year			
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	800,000	—	300,000 ^(b)	—	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	27 Nov 2007	500,000	—	500,000 ^(c)	—	—	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	200,000	—	200,000 ^(c)	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	200,000 ^(c)	—	—	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	—	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
William Yip Shue Lam	21 Jan 2013	200,000	—	200,000 ^(d)	—	—	4.610	21 Jan 2014–20 Jan 2019
	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 (in aggregate)	27 Nov 2007	3,842,000	—	1,560,000 ^(e)	44,000	2,238,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	584,000	—	479,000 ^(f)	—	105,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	563,750	—	563,750 ^(g)	—	—	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	560,000	—	400,000 ^(h)	—	160,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	6,888,000	—	1,830,000 ⁽ⁱ⁾	—	5,058,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	—	6,180,000	—	—	6,180,000	4.500	30 Sep 2015–29 Sep 2020

Report of the Directors

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the period was HK\$4.410 per share.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.410 per share.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$5.420 per share.
- (d) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$6.520 per share.
- (e) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$5.836 per share.
- (f) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$5.328 per share.
- (g) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$5.173 per share.
- (h) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$5.084 per share.
- (i) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$5.953 per share.

On 30 September 2014, the Company granted 16,540,000 share options (all at subscription price at HK\$4.5 per share) to the Directors and selected employees of the Company and its affiliates.

The fair value of the share options granted during the year is set out in note 30 to the Consolidated Financial Statements.

No option was 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 any of 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.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, 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. Pursuant to the Second Supplementary Agreement dated 5 May 2009 and made between the Government of the HKSAR and KWP, the Guarantee was automatically extended for 2.5 years until 26 June 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 2014, the aggregate annual

rent of HK\$1,556,000 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 exempted 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 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 6 out of 10 Directors being non-executive/independent non-executive 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

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2014, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies. In compliance with the requirements of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined Balance Sheet HK\$'000	Group's Attributable Interest HK\$'000
Non-current assets	1,018,980	159,113
Current assets	22,799,667	5,716,071
Current liabilities	(5,142,433)	(847,498)
	18,676,214	5,027,686
Share capital	73	27
Reserves	9,352,991	2,738,064
Amounts due to shareholders	7,988,150	1,732,195
Non-current liabilities	1,335,000	557,400
	18,676,214	5,027,686

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 2014 Financial Statements and adjusted as appropriate, is shown on pages 14 to 15 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014:

- (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 2014 Financial Statements have been audited by Messrs. PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2015 AGM.

On behalf of the Board

Lui Che-woo

Chairman and Managing Director

Hong Kong, 26 March 2015

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 (together, the "Group") set out on pages 62 to 130, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2015

Consolidated Profit and Loss Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	7	2,393,967	7,288,415
Cost of sales		(984,946)	(4,141,848)
Gross profit		1,409,021	3,146,567
Other operating income		288,536	125,941
Other net (losses)/gains		(11,671)	75,473
Other operating expenses		(172,099)	(244,422)
Administrative expenses		(442,473)	(440,531)
Fair value gain on transfer of development properties to investment properties	8	1,358,197	71,071
Change in fair value of investment properties		143,253	224,154
Finance costs	9	(21,799)	(93,861)
Share of profits of joint ventures		167,540	78,451
Share of (losses)/profits of associated companies		(11,212)	61,107
Profit before taxation	10	2,707,293	3,003,950
Taxation charge	14	(815,250)	(1,301,940)
Profit for the year		1,892,043	1,702,010
Attributable to:			
Equity holders of the Company		1,829,960	1,646,773
Non-controlling interests		62,083	55,237
		1,892,043	1,702,010
Earnings per share	16	HK cents	HK cents
Basic		65.69	60.95
Diluted		65.45	60.60
Dividends	17	HK\$'000	HK\$'000
Interim paid		137,923	134,117
Proposed final		278,715	271,709
		416,638	405,826

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	1,892,043	1,702,010
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	(4,192,088)	6,369,374
Exchange differences	(59,192)	440,747
Other comprehensive (loss)/income for the year	(4,251,280)	6,810,121
Total comprehensive (loss)/income for the year	(2,359,237)	8,512,131
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(2,417,722)	8,417,492
Non-controlling interests	58,485	94,639
	(2,359,237)	8,512,131

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	553,866	593,184
Investment properties	19	8,127,845	5,135,518
Leasehold land and land use rights	20	17,555	17,558
Joint ventures	22	2,477,823	2,308,065
Associated companies	23	974,675	2,242,215
Non-current investment	24	7,100,553	11,292,641
Deferred taxation assets	35	36,455	52,079
Derivative financial instruments	34	2,644	12,313
Other non-current assets	25	41,886	24,468
		19,333,302	21,678,041
Current assets			
Development properties	26	22,547,104	15,595,216
Inventories		2,790	1,899
Amount due from a joint venture	22	228,260	228,260
Amounts due from associated companies	23	788,782	235,315
Debtors and prepayments	27	1,118,335	1,218,856
Taxes recoverable		112,763	68,067
Cash and bank deposits	28	6,038,760	5,623,962
		30,836,794	22,971,575
Total assets		50,170,096	44,649,616
EQUITY			
Share capital	29	278,715	271,215
Reserves	31	24,866,467	27,347,538
Shareholders' funds		25,145,182	27,618,753
Non-controlling interests		1,545,781	1,475,193
Total equity		26,690,963	29,093,946

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	13,244,026	5,274,179
Guaranteed notes	33	2,703,597	1,704,088
Derivative financial instruments	34	2,911	1,896
Deferred taxation liabilities	35	1,626,042	1,223,227
		17,576,576	8,203,390
Current liabilities			
Amounts due to joint ventures	22	1,789,263	1,558,289
Amount due to an associated company	23	27,085	402,685
Creditors and accruals	36	1,351,614	1,676,211
Current portion of borrowings	32	1,824,578	2,619,982
Taxes payable		910,017	1,095,113
		5,902,557	7,352,280
Total liabilities		23,479,133	15,555,670
Total equity and liabilities		50,170,096	44,649,616
Net current assets		24,934,237	15,619,295
Total assets less current liabilities		44,267,539	37,297,336

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Company Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current asset			
Subsidiaries	21	259,561	259,561
Current assets			
Amounts due from subsidiaries	21	3,500,322	3,508,086
Cash and bank deposits	28	914	3,971
		3,501,236	3,512,057
Total assets		3,760,797	3,771,618
EQUITY			
Share capital	29	278,715	271,215
Reserves	31	3,479,121	3,497,452
Shareholders' funds		3,757,836	3,768,667
LIABILITY			
Current liability			
Creditors and accruals	36	2,961	2,951
Total equity and liability		3,760,797	3,771,618
Net current assets		3,498,275	3,509,106
Total assets less current liability		3,757,836	3,768,667

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Cash used in operations	37	(6,936,880)	(87,860)
Tax paid		(622,159)	(769,198)
Interest paid		(441,845)	(477,153)
Net cash used in operating activities		(8,000,884)	(1,334,211)
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,454)	(11,685)
Acquisition of an investment property		(429,136)	—
Net changes in balances with joint ventures		227,998	603,169
Net changes in balances with associated companies		(62,795)	506,911
(Increase)/decrease in bank deposits		(749,254)	1,529,115
Proceeds from disposal of property, plant and equipment		—	9,360
Proceeds from disposal of an investment property		—	285,114
Interest received		87,827	97,233
Dividend received from an associated company		390,056	—
Dividend received from a joint venture		750	2,000
Dividend income from non-current investment		186,857	—
Net cash (used in)/generated from investing activities		(354,151)	3,021,217
Cash flows from financing activities			
Issue of new shares		24,654	24,920
New long-term bank loans		16,374,470	2,829,050
Issue of guaranteed notes		992,937	—
Acquisition of additional interests in a subsidiary from non-controlling interests		—	(35,870)
Repayment of long-term bank loans		(9,295,566)	(3,906,518)
New short-term bank loans repayable after three months from date of advance		675,000	150,000
Repayment of short-term bank loans repayable after three months from date of advance		(655,000)	(1,070,000)
Capital contribution from non-controlling interests		27,637	361,600
Dividends paid to non-controlling interests		(15,534)	(22,663)
Dividends paid to shareholders		(85,175)	(179,437)
Net cash generated from/(used in) financing activities		8,043,423	(1,848,918)
Net decrease in cash and cash equivalents		(311,612)	(161,912)
Cash and cash equivalents at beginning of year		5,590,615	5,676,418
Changes in exchange rates		(26,147)	76,109
Cash and cash equivalents at end of year		5,252,856	5,590,615

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital	Other reserves	Retained earnings	Shareholders' funds	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	271,215	14,480,325	12,867,213	27,618,753	1,475,193	29,093,946
Comprehensive income						
Profit for the year	—	—	1,829,960	1,829,960	62,083	1,892,043
Other comprehensive loss						
Other comprehensive loss for the year	—	(4,247,682)	—	(4,247,682)	(3,598)	(4,251,280)
Transactions with equity holders						
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
At 1 January 2013	263,379	7,670,081	11,423,575	19,357,035	1,052,460	20,409,495
Comprehensive income						
Profit for the year	—	—	1,646,773	1,646,773	55,237	1,702,010
Other comprehensive income						
Other comprehensive income for the year	—	6,770,719	—	6,770,719	39,402	6,810,121
Transactions with equity holders						
Fair value of share options	—	23,770	—	23,770	—	23,770
Issue of shares upon exercise of share options	1,666	23,254	—	24,920	—	24,920
Lapse of share options	—	(1,329)	1,329	—	—	—
Acquisition of additional interests in a subsidiary from non-controlling interests	—	—	(25,027)	(25,027)	(10,843)	(35,870)
Shares issued as scrip dividends	6,170	(6,170)	—	—	—	—
Reserve arising on scrip dividends	—	—	218,678	218,678	—	218,678
Capital contribution from non-controlling interests	—	—	—	—	361,600	361,600
Dividends	—	—	(398,115)	(398,115)	(22,663)	(420,778)
At 31 December 2013	271,215	14,480,325	12,867,213	27,618,753	1,475,193	29,093,946

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 26 March 2015.

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

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

The 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 2013, except as stated below.

The adoption of revised HKFRSs

In 2014, the Group adopted the following amendments to standards and interpretation to existing standards, which are relevant to its operations.

HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK (IFRIC) — Int 21	Levies

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (cont'd)

The Group has assessed the impact of the adoption of these amendments to standards and interpretation 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.

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

		Effective for accounting periods beginning on or after
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 19 (Amendment)	Defined Benefit Plan: Employee Benefits — Employee Contributions	1 July 2014
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
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 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements to HKFRSs 2010–2012 Cycle		1 July 2014
Annual Improvements to HKFRSs 2011–2013 Cycle		1 July 2014
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 as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 all 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 entities and has the ability to offset those returns through its power over the entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) *Business combinations*

The Group applies the acquisition method 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 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 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 (cont'd)*

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

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

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

(iii) *Disposal of subsidiaries*

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(b) *Associated companies*

Associated companies are all 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.

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 obligations or made payments on behalf of the associated company.

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

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(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. 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.

3.2 Segment reporting

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

3.3 Goodwill

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment

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

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

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

Leasehold land classified as finance lease commences 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

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

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 of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this write-back is recognised in the profit and loss statement. This revaluation reserve shall remain and be transferred to retained earnings upon disposal of this property.

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

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.

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 maturities more than twelve months after the balance sheet date and are classified as non-current assets.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

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.

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

3.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 substantially 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. 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).

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.

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)*

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;
- 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 advanced proceeds on sale of properties under current liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Revenue recognition (cont'd)

(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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the profit and loss statement within 'Other net gains'.

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in the profit and loss statement 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.22 Foreign currencies (cont'd)

(c) *Group companies*

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

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

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

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

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

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

3.23 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 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 subsidiaries, joint ventures and associates companies as insurance contracts.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 of property transactions and selling prices. The Group mainly relies on sales of properties and renewal of bank borrowings 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 provides guidance for overall risk management.

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 2014, if Hong Kong dollar had weakened or strengthened by 3% (2013: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been higher or lower by approximately HK\$6 million (2013: lower or higher of HK\$29 million) mainly as a result of foreign exchange gains/losses arising from borrowings and cash at banks.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.1. Market risk (cont'd)

(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 2014, if interest rates had been increased or decreased by 1% (2013: 1%) with all other variables held constant, the profit before taxation for the year would decrease or increase by approximately HK\$92 million (2013: HK\$24 million) mainly as a result of higher or lower interest expenses.

(iii) Price risk

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

At 31 December 2014, if the share price of the available-for-sale investments had been increased or decreased by 10% (2013: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$710 million (2013: HK\$1,129 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 Company's credit risk is primarily attributable to amounts due from subsidiaries.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.2. Credit risk (cont'd)

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, whereas the Company monitors the credibility of subsidiaries 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 88% (2013: 62%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 12% (2013: 38%) 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.

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 2014, the Group's total undrawn facilities amounted to HK\$13.8 billion (2013: HK\$7.9 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 and the Company for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company is required to pay and include both interest and principal, is set out below.

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)

	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
<i>Group</i>					
At 31 December 2014					
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
Amount due to an associated company	27,085	—	—	—	27,085
Amounts due to non-controlling interest	5,847	—	—	—	5,847
Total	5,283,084	3,433,170	12,543,770	1,119,448	22,379,472
<i>At 31 December 2013</i>					
Borrowings	2,837,256	1,709,179	4,029,294	—	8,575,729
Guaranteed notes	88,220	88,935	1,693,764	—	1,870,919
Net settled derivative financial instruments	7,438	3,898	—	—	11,336
Gross settled derivative financial instruments					
— inflow	—	—	(1,553,216)	—	(1,553,216)
— outflow	—	—	1,555,700	—	1,555,700
Trade creditors	838,501	—	—	—	838,501
Other creditors and accruals	246,016	—	—	—	246,016
Amounts due to joint ventures	1,558,289	—	—	—	1,558,289
Amount due to an associated company	402,685	—	—	—	402,685
Amounts due to non-controlling interest	377,624	—	—	—	377,624
Total	6,356,029	1,802,012	5,725,542	—	13,883,583
<i>Company</i>					
At 31 December 2014					
Other creditors	2,961	—	—	—	2,961
<i>At 31 December 2013</i>					
Other creditors	2,951	—	—	—	2,951

Note: Interest on borrowings and guaranteed notes are calculated on balances held as at 31 December 2014 and 2013. Floating-rate interest is estimated using the current interest rate as at 31 December 2014 and 2013 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:

	2014 HK\$'000	2013 HK\$'000
Total borrowings	17,772,201	9,598,249
Less: Cash and bank deposits	(6,038,760)	(5,623,962)
Net borrowings	11,733,441	3,974,287
Total equity	26,690,963	29,093,946
Gearing ratio	44%	14%

The increase in the gearing ratio during 2014 resulted from the draw-down of bank loans and the issuance of 7-year guaranteed notes to finance the property development projects and serve as general working capital of the Group (note 32 and 33).

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).

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

At 31 December 2014 and 31 December 2013, 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 24) and Level 2 financial instruments that are measured at fair value represents derivative financial instruments (note 34).

(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.

(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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

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, debtors, bank deposits, creditors and current borrowings are assumed to approximate their fair values.

See note 19 for disclosures of the investment properties that are measured at fair value.

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.

Notes to the Consolidated Financial Statements

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(b) Fair value 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.

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 19. 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) 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.

(d) 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(e) 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.

(f) Share-based payments

The fair value of option granted is estimated by independent professional valuers 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.

(g) 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.

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, 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
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/loss, 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

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 2013						
Revenue	7,403	6,744,302	172,555	274,367	89,788	7,288,415
Adjusted EBITDA	2,201	2,613,309	112,112	249,672	(224,301)	2,752,993
Other income and expenses/gains, net						(43,008)
Depreciation and amortisation						(46,957)
Fair value gain on transfer of development properties to investment properties				71,071		71,071
Change in fair value of investment properties				224,154		224,154
Finance costs						(93,861)
Share of profits/(losses) of joint ventures	82,644	(4,193)				78,451
Share of profits of associated companies	61,107					61,107
Profit before taxation						3,003,950
Taxation charge						(1,301,940)
Profit for the year						1,702,010
As at 31 December 2013						
Segment assets	4,349,817	17,642,659	370,793	5,371,939	—	27,735,208
Other assets	—	—	—	—	11,900,553	11,900,553
Joint ventures	2,536,325	—	—	—	—	2,536,325
Associated companies	2,477,530	—	—	—	—	2,477,530
Total assets	9,363,672	17,642,659	370,793	5,371,939	11,900,553	44,649,616
Total liabilities	6,145,410	7,577,515	21,046	1,471,533	340,166	15,555,670
Year ended 31 December 2014						
Additions to non-current assets	—	3,264	713	429,136	2,477	435,590
Year ended 31 December 2013						
Additions to non-current assets	759	6,705	—	47	4,174	11,685

Geographical segment information

The Group operates in three (2013: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2014 and 2013 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 2014 and 2013 by geographical area are as follows:

Notes to the Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)**Revenue**

	2014	2013
	HK\$'000	HK\$'000
Hong Kong	327,519	22,246
Mainland China	2,066,448	7,077,693
Singapore	—	188,476
	2,393,967	7,288,415

Non-current assets

	2014	2013
	HK\$'000	HK\$'000
Hong Kong	1,257,365	747,125
Mainland China	7,441,380	4,999,133
Singapore	521	2
	8,699,266	5,746,260

7 REVENUE

	2014	2013
	HK\$'000	HK\$'000
Sale of properties	1,968,267	6,924,260
Rental income	315,276	274,367
Hotel operations	110,424	89,788
	2,393,967	7,288,415

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

The amount for the year ended 31 December 2014 represents fair value gain on transfer of Stanford Residences from development properties to investment properties. In pursuance of the Group's strategy to increase the recurring income, a tower of Grand Summit has been retained as service apartments for long term rental purpose. Following the completion of construction of Grand Summit in December 2014, the Group has engaged an independent professional service provider to conduct leasing and marketing activities. Accordingly, the Group has reclassified Stanford Residences from development properties to investment properties and a fair value gain of HK\$1,358,197,000 (HK\$1,018,648,000 net of tax) was recognised in the consolidated financial statements of the Group for the year ended 31 December 2014.

9 FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others, wholly repayable within five years	501,734	530,205
Guaranteed notes, not wholly repayable within five years	25,000	—
Capitalised as cost of properties under development	(504,935)	(436,344)
	21,799	93,861

The capitalisation rates applied to funds borrowed generally and used for the development of properties are from 1% to 5% per annum (2013: 1% to 5% per annum).

10 PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	88,501	98,396
Interest income from mortgage loans	151	175
Dividend income from non-current investment	186,857	—
Gain on disposal of an investment property	—	69,906
Net fair value gains on derivative financial instruments	—	17,833
Gain on disposal of property, plant and equipment	—	5,797
and after charging:		
Cost of properties sold	915,062	4,077,525
Cost of inventories consumed/sold	23,243	18,365
Selling and marketing expenses	131,408	194,979
Depreciation (net of amount capitalised under properties under development of HK\$566,000 (2013: HK\$538,000))	43,318	46,825
Amortisation for leasehold land and land use rights	131	132
Auditors' remuneration		
Audit services		
Provision for the year	5,362	4,871
Under/(over)-provision for prior years	256	(24)
Non-audit services	1,238	829
Loss on disposal of property, plant and equipment	21	—
Operating lease rental for land and buildings	7,896	2,230
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	7,076	5,786
Direct operating expense of investment properties that did not generate rental income	247	502
Net fair value losses on derivative financial instruments	10,684	—
Net exchange losses	1,105	17,471

Notes to the Consolidated Financial Statements

11 EMPLOYEE BENEFIT EXPENSES

	2014	2013
	HK\$'000	HK\$'000
Staff costs including directors' emoluments	359,755	312,688
Pension costs — defined contribution plans	21,665	18,747
Share options granted to directors and employees	4,672	23,770
	386,092	355,205
Less: Amount capitalised under properties under development	(71,182)	(57,259)
	314,910	297,946

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\$671,000 (2013: HK\$606,000) were utilised, leaving HK\$nil (2013: HK\$59,000) available at the balance sheet date to reduce future contributions.

12 DIRECTORS' REMUNERATION

Name	Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Share options (a)	2014 Total HK\$'000	2013 Total HK\$'000
	fee HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Lui Che-woo	290	11,124	2,624	1,171	763	15,972	19,410
Francis Lui Yiu Tung	150	1,374	216	137	367	2,244	4,098
Paddy Tang Lui Wai Yu	150	6,072	1,380	607	763	8,972	11,798
Alexander Lui Yiu Wah	150	8,255	1,298	826	763	11,292	15,228
Robin Chan Yau Hing	150	—	—	—	45	195	412
William Yip Shue Lam	390	—	—	—	45	435	639
Moses Cheng Mo Chi	150	—	—	—	45	195	412
Poon Chung Kwong	260	—	—	—	45	305	522
Au Man Chu	260	—	—	—	45	305	522
Wong Kwai Lam	250	—	—	—	45	295	501
	2,200	26,825	5,518	2,741	2,926	40,210	53,542

- (a) The value of the share options granted to the Directors under the share option scheme of the Company represented the fair value of those options charged to the profit and loss statement for the year in accordance with the accounting policies of the Group.

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2013: three) Directors. The emoluments of the five individuals are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other emoluments	34,848	32,666
Pension cost — defined contribution plans	2,809	2,603
Discretionary bonuses	6,978	10,104
Share options granted	2,543	11,818
	47,178	57,191

Notes to the Consolidated Financial Statements

13 FIVE HIGHEST PAY INDIVIDUALS (cont'd)

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2014	2013
HK\$4,000,001–HK\$4,500,000	—	1
HK\$4,500,001–HK\$5,000,000	1	—
HK\$6,000,001–HK\$6,500,000	1	1
HK\$8,500,001–HK\$9,000,000	1	—
HK\$11,000,001–HK\$11,500,000	1	—
HK\$11,500,001–HK\$12,000,000	—	1
HK\$15,000,001–HK\$15,500,000	—	1
HK\$15,500,001–HK\$16,000,000	1	—
HK\$19,000,001–HK\$19,500,000	—	1
	5	5

14 TAXATION CHARGE

	2014	2013
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	6,845	13,523
Mainland China		
— Income tax	198,389	548,346
— Land appreciation tax	191,492	661,502
Overseas	32	20,577
Over-provision in previous years	(2,722)	(1,693)
Deferred (note 35)	421,214	59,685
	815,250	1,301,940

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 Mainland China and overseas in which the Group operates.

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.

There is no income tax provided on other comprehensive income.

14 TAXATION CHARGE (cont'd)

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:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	2,707,293	3,003,950
Share of profits of joint ventures	(167,540)	(78,451)
Share of losses/(profits) of associated companies	11,212	(61,107)
	2,550,965	2,864,392
Tax calculated at applicable tax rates	576,761	556,833
Income not subject to taxation	(52,056)	(50,826)
Expenses not deductible for taxation purposes	51,775	78,574
Utilisation of previously unrecognised tax losses	(7,801)	(13,468)
Tax loss not recognised	37,436	36,177
Over-provision in previous years	(2,722)	(1,693)
	603,393	605,597
Withholding tax	20,365	34,841
Land appreciation tax	191,492	661,502
Taxation charge	815,250	1,301,940

15 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$45,018,000 (2013: HK\$45,537,000).

16 EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
Profit attributable to equity holders of the Company	1,829,960	1,646,773

Notes to the Consolidated Financial Statements

16 EARNINGS PER SHARE (cont'd)

	Number of shares	
	2014	2013
Weighted average number of shares for calculating basic earnings per share	2,785,931,000	2,701,937,000
Effect of dilutive potential ordinary shares Share options	9,910,000	15,486,000
Weighted average number of shares for calculating diluted earnings per share	2,795,841,000	2,717,423,000

17 DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Interim scrip dividend (with a cash option) of 5 HK cents (2013: interim scrip dividend (with a cash option) of 5 HK cents) per share	137,923	134,117
Proposed final scrip dividend (with a cash option) of 10 HK cents (2013: final scrip dividend (with a cash option) of 10 HK cents) per share	278,715	271,709
	416,638	405,826
The dividends have been settled by cash as follows:		
Interim	18,037	55,324
Final	—	67,138
	18,037	122,462

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2014 of 10 HK cents (2013: 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 2015.

18 PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel building HK\$'000	Land and buildings HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost					
At 1 January 2013	433,176	182,064	31,022	99,078	745,340
Exchange differences	13,585	1,957	977	1,631	18,150
Additions	—	—	186	11,499	11,685
Disposals	(1,632)	(3,373)	—	(1,017)	(6,022)
At 31 December 2013	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
Accumulated depreciation					
At 1 January 2013	27,189	33,366	7,998	59,973	128,526
Exchange differences	1,184	141	327	887	2,539
Charge for the year	22,368	3,260	5,159	16,576	47,363
Disposals	—	(1,581)	—	(878)	(2,459)
At 31 December 2013	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
Net book value					
At 31 December 2014	371,553	142,023	13,419	26,871	553,866
At 31 December 2013	394,388	145,462	18,701	34,633	593,184

Hotel building and land and buildings with carrying values of HK\$513,576,000 (2013: HK\$539,850,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

Of the land and buildings of HK\$142,023,000 (2013: HK\$145,462,000), HK\$61,684,000 (2013: HK\$62,366,000) of leasehold lands are located in Hong Kong on long-term lease.

Notes to the Consolidated Financial Statements

19 INVESTMENT PROPERTIES

Group

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Total HK\$'000
At 1 January 2013	405,600	4,273,153	212,163	4,890,916
Exchange differences	—	135,379	(7,723)	127,656
Fair value gain on transfer of development properties to investment properties	71,071	—	—	71,071
Change in fair value	136,800	76,586	10,768	224,154
Disposals	—	—	(215,208)	(215,208)
Transfer from development properties	36,929	—	—	36,929
At 31 December 2013	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

(a) Investment properties comprise completed commercial and residential properties. Investment properties held under long-term leases in Hong Kong and Mainland China amounting to HK\$86,000,000 (2013: HK\$108,000,000) and HK\$2,435,036,000 (2013: nil), were valued at 31 December 2014 on an open market value basis by DTZ Debenham Tie Leung Limited (“DTZ”) and Savills Valuation and Professional Services Limited (“Savills”), independent professional valuers, respectively. Investment properties held under medium-term leases in Hong Kong and Mainland China amounting to HK\$1,080,000,000 (2013: HK\$542,400,000) and HK\$4,526,809,000 (2013: HK\$4,485,118,000), were valued at 31 December 2014 on an open market value basis by DTZ and Savills (2013: DTZ and CBRE Limited) respectively, independent professional valuers. An investment property held under long-term leases in Singapore amounting to HK\$212,163,000 were valued at 31 December 2012 on an open market value basis by Chesterton International Property Consultants Pte Ltd. and was disposed in 2013.

(b) Investment properties with carrying values of HK\$6,961,845,000 (2013: HK\$4,593,118,000) 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 2014 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.

19 INVESTMENT PROPERTIES (cont'd)

(c) Valuation processes of the Group (cont'd)

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.

(d) Valuation technique

Fair value measurements using significant unobservable inputs

Fair values of completed commercial and residential 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 commercial and residential properties using significant unobservable inputs is as follows:

	Residential Properties Mainland China	Commercial properties Hong Kong	Commercial properties Mainland China
2014			
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
2013			
Rental value (HK\$/sm/month)		430 to 1,400	64 to 763
Capitalisation rate (%)		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

20 LEASEHOLD LAND AND LAND USE RIGHTS**Group**

	2014	2013
	HK\$'000	HK\$'000
At beginning of year	17,558	16,608
Exchange differences	128	1,082
Amortisation for the year	(131)	(132)
At end of year	17,555	17,558

The interests in leasehold land and land use rights represent prepaid operating lease payments with medium-term lease in Mainland China. Leasehold land and land use rights with carrying values of HK\$17,555,000 (2013: HK\$17,558,000) were pledged to secure the banking facilities of the Group.

21 SUBSIDIARIES

	2014	2013
	HK\$'000	HK\$'000
Unlisted shares, at cost less provision	259,561	259,561

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. Details of subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 41(a).

22 JOINT VENTURES

Group

	2014 HK\$'000	2013 HK\$'000
Share of net assets	2,392,155	2,225,372
Amounts due from joint ventures	85,668	82,693
	2,477,823	2,308,065

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:

	2014 HK\$'000	2013 HK\$'000
Assets	2,976,999	3,181,305
Liabilities	(584,844)	(955,933)
Net assets	2,392,155	2,225,372
Revenue	379,760	222,915
Profit after taxation	167,540	78,451
Other comprehensive (loss)/income	(7)	36
Total comprehensive income	167,533	78,487

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.

Details of joint ventures of the Group are given in note 41(b). The joint ventures do not have any material contingent liabilities as at 31 December 2014 and 31 December 2013.

Notes to the Consolidated Financial Statements

23 ASSOCIATED COMPANIES**Group**

	2014	2013
	HK\$'000	HK\$'000
Share of net assets	345,936	747,204
Amounts due from associated companies	628,739	1,495,011
	974,675	2,242,215

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:

	2014	2013
	HK\$'000	HK\$'000
Assets	2,898,184	3,080,105
Liabilities	(2,552,248)	(2,332,901)
Net assets	345,936	747,204
Revenue	42,750	151,567
(Loss)/profit after taxation and total comprehensive (loss)/income	(11,212)	61,107

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 41(c). The associated companies do not have any material contingent liabilities as at 31 December 2014 and 31 December 2013.

24 NON-CURRENT INVESTMENT**Group**

	2014	2013
	HK\$'000	HK\$'000
Listed equity securities, at fair value	7,100,553	11,292,641

The listed securities represent the Group's 3.8% (2013: 3.9%) 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.

25 OTHER NON-CURRENT ASSETS

Group

	2014 HK\$'000	2013 HK\$'000
Maintenance deposits	40,672	23,168
Mortgage loans, net of provision	1,214	1,300
	41,886	24,468

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\$83,000 (2013: HK\$78,000) is included under other debtors. The Group has not provided any impairment loss for its mortgage loans during the year (2013: nil).

26 DEVELOPMENT PROPERTIES

Group

	Completed HK\$'000	Under development HK\$'000	2014 HK\$'000	Completed HK\$'000	Under development HK\$'000	2013 HK\$'000
Leasehold land and land use rights	2,111,728	11,900,602	14,012,330	835,207	7,204,878	8,040,085
Development costs	4,225,346	4,309,428	8,534,774	1,735,884	5,819,247	7,555,131
	6,337,074	16,210,030	22,547,104	2,571,091	13,024,125	15,595,216

Development properties with carrying values of HK\$12,534,535,000 (2013: HK\$6,409,378,000) were pledged to secure the banking facilities of the Group.

At the year end date, development properties under development amounting to HK\$15,707,856,000 (2013: HK\$10,829,720,000) were not scheduled for completion within twelve months.

The leasehold land and land use rights represent prepaid operating lease payments and under the following terms:

	Hong Kong HK\$'000	Mainland China HK\$'000	2014 HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	2013 HK\$'000
Long-term lease	356,853	7,077,570	7,434,423	404,935	4,017,923	4,422,858
Medium-term lease	6,229,209	348,698	6,577,907	3,288,620	328,607	3,617,227
	6,586,062	7,426,268	14,012,330	3,693,555	4,346,530	8,040,085

Notes to the Consolidated Financial Statements

27 DEBTORS AND PREPAYMENTS

Group

	2014 HK\$'000	2013 HK\$'000
Trade debtors, net of provision	839,924	601,984
Other debtors, net of provision	191,001	197,709
Amounts due from non-controlling interests	9,380	7,759
Land deposits	9,706	337,226
Prepayments and other deposits	68,324	74,178
	1,118,335	1,218,856

The debtors and prepayments are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	346,590	64,268
RMB	770,810	1,145,792
Singapore dollar	935	8,796
	1,118,335	1,218,856

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:

	2014 HK\$'000	2013 HK\$'000
Within one month	798,151	502,319
Two to three months	188	45,548
Four to six months	21,842	32,614
Over six months	19,743	21,503
	839,924	601,984

Included in the trade debtors of the Group, carrying values of HK\$781,497,000 (2013: HK\$502,319,000) were not yet due and fully performing while the remaining amount of HK\$58,427,000 (2013: HK\$99,665,000) were past due over their credit terms for which the Group has not provided for impairment loss.

27 DEBTORS AND PREPAYMENTS (cont'd)

The Group has made provision for impairment for its trade and other debtors of HK\$11,000 (2013: nil) during the year. As at 31 December 2014, no trade and other debtors was impaired (2013: HK\$440,000 was impaired and full provision has been made). Movements of the provision are as follows:

	2014 HK\$'000	2013 HK\$'000
At beginning of year	440	931
Provision for the year	11	—
Written off during the year	(451)	(491)
At end of year	—	440

As at 31 December 2014, other debtors included a loan receivable of HK\$116,276,000 (2013: HK\$121,051,000) 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.

28 CASH AND BANK DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Short-term bank deposits maturing after three months	38,027	33,347	—	—
Structured bank deposits	747,877	—	—	—
	785,904	33,347	—	—
Cash at bank and in hand	2,378,317	3,265,345	914	3,971
Short-term and other bank deposits	2,874,539	2,325,270	—	—
Cash and cash equivalents	5,252,856	5,590,615	914	3,971
Cash and bank deposits	6,038,760	5,623,962	914	3,971

The cash and bank deposit include HK\$1,384,978,000 (2013: HK\$1,402,010,000) which have been pledged or assigned for specific purposes under certain conditions.

The structured bank deposits are 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 uses the deposits primarily to enhance the interest yield.

Notes to the Consolidated Financial Statements

28 CASH AND BANK DEPOSITS (cont'd)

The effective interest rate on short-term and other bank deposits is 1.9% (2013: 3.94%) per annum, these deposits have an average of 44 days (2013: 53 days).

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	2,576,072	1,465,116	914	3,971
RMB	3,125,947	3,790,894	—	—
Others	336,741	367,952	—	—
	6,038,760	5,623,962	914	3,971

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Credit Rating:				
Aa	1,875,156	1,243,000	910	3,923
A	3,455,633	2,256,575	4	43
Baa	232,287	311,161	—	—
Others	475,684	1,813,226	—	5
	6,038,760	5,623,962	914	3,971

29 SHARE CAPITAL

	2014		2013	
	Shares of HK\$0.10 each	HK\$'000	Shares of HK\$0.10 each	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	2,712,152,918	271,215	2,633,793,837	263,379
Share options exercised	6,232,750	623	16,655,900	1,666
Issued as scrip dividends	68,768,602	6,877	61,703,181	6,170
At end of year	2,787,154,270	278,715	2,712,152,918	271,215

During the year, share options to subscribe for 6,232,750 (2013: 16,655,900) shares were exercised, of which HK\$623,000 (2013: HK\$1,666,000) was credited to share capital and HK\$31,714,000 (2013: HK\$30,886,000) to the share premium account and HK\$7,683,000 (2013: 7,632,000) was debited to share option reserve.

30 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Options are exercisable at a price equal to 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:

	2014		2013	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
At beginning of year	3.8622	37,386,750	2.4790	37,446,650
Granted	4.5000	16,540,000	4.6100	19,038,000
Exercised	3.9558	(6,232,750)	1.4962	(16,655,900)
Lapsed	4.6360	(44,000)	4.6194	(2,442,000)
At end of year	4.0707	47,650,000	3.8622	37,386,750
Vested at end of year	3.8424	31,110,000	3.2058	19,908,750

The weighted average share price at the date of exercise for share options exercised during the year was HK\$5.582 (2013: HK\$4.132).

The options outstanding at 31 December 2014 have exercise prices ranging from HK\$2.12 to HK\$4.636 (2013: HK\$0.938 to HK\$4.636) with weighted average remaining contractual life of 4.3 years (2013: 4.4 years).

Notes to the Consolidated Financial Statements

30 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	
		2014	2013
Directors			
27 November 2008 to 26 November 2017	4.636	2,985,000	3,485,000
27 November 2008 to 26 November 2017	3.882	1,300,000	1,600,000
17 January 2013 to 16 January 2018	2.120	9,074,000	9,274,000
21 January 2014 to 20 January 2019	4.610	10,190,000	10,590,000
30 September 2015 to 29 September 2020	4.500	10,360,000	—
Employees and others			
27 November 2008 to 26 November 2017	4.636	2,238,000	3,842,000
27 November 2008 to 26 November 2017	3.882	105,000	584,000
3 March 2010 to 2 March 2014	0.938	—	563,750
17 January 2013 to 16 January 2018	2.120	160,000	560,000
21 January 2014 to 20 January 2019	4.610	5,058,000	6,888,000
30 September 2015 to 29 September 2020	4.500	6,180,000	—
		47,650,000	37,386,750

The fair value of options granted during the year, as determined by using the Black-Scholes valuation model, was HK\$1.13 per option (2013: HK\$1.36). The significant inputs into the model were share price of HK\$4.34 (2013: HK\$4.61) at the grant date, exercise price at the date of granting the options, expected volatility of 46% (2013: 48%), expected life of options of 3.5 years (2013: 3.5 years), dividend yield of 3.36% (2013: 2.46%) and annual risk-free interest rate of 1.14% (2013: 0.25%). 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.

31 RESERVES

(a) Group

	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
At 1 January 2014	1,711,336	44,508	99,089	13	859	748	11,120,408	1,503,364	12,867,213	27,347,538
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	1,829,960	1,829,960
Other comprehensive income										
Translation differences	—	—	—	—	—	(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)
Transactions with equity holders										
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	99,089	13	859	745	6,928,320	1,447,773	14,612,064	24,866,467
Retained by:										
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
At 1 January 2013	1,686,620	29,699	99,089	13	859	725	4,751,034	1,102,042	11,423,575	19,093,656
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	1,646,773	1,646,773
Other comprehensive income										
Translation differences	—	—	—	—	—	23	—	401,286	—	401,309
Translation differences for joint ventures	—	—	—	—	—	—	—	36	—	36
Change in fair value of non-current investment	—	—	—	—	—	—	6,369,374	—	—	6,369,374
Transactions with equity holders										
Fair value of share options	—	23,770	—	—	—	—	—	—	—	23,770
Exercise of share options	30,886	(7,632)	—	—	—	—	—	—	—	23,254
Lapse of share options	—	(1,329)	—	—	—	—	—	—	1,329	—
Shares issued as scrip dividends	(6,170)	—	—	—	—	—	—	—	—	(6,170)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	218,678	218,678
Acquisition of additional interest in a subsidiary from non-controlling interests	—	—	—	—	—	—	—	—	(25,027)	(25,027)
2012 final dividend	—	—	—	—	—	—	—	—	(263,998)	(263,998)
2013 interim dividend	—	—	—	—	—	—	—	—	(134,117)	(134,117)
At 31 December 2013	1,711,336	44,508	99,089	13	859	748	11,120,408	1,503,364	12,867,213	27,347,538
Retained by:										
Company and subsidiaries	1,711,336	44,508	99,089	13	859	748	11,120,408	1,502,572	9,935,325	24,414,858
Joint ventures	—	—	—	—	—	—	—	792	2,184,686	2,185,478
Associated companies	—	—	—	—	—	—	—	—	747,202	747,202
	1,711,336	44,508	99,089	13	859	748	11,120,408	1,503,364	12,867,213	27,347,538

Notes to the Consolidated Financial Statements

31 RESERVES (cont'd)

(b) Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	1,711,336	44,508	213,560	13	1,528,035	3,497,452
Comprehensive income						
Profit for the year	—	—	—	—	45,018	45,018
Transactions with equity holders						
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
At 1 January 2013	1,686,620	29,699	213,560	13	1,660,606	3,590,498
Comprehensive income						
Profit for the year	—	—	—	—	45,537	45,537
Transactions with equity holders						
Fair value of share options	—	23,770	—	—	—	23,770
Exercise of share options	30,886	(7,632)	—	—	—	23,254
Lapse of share options	—	(1,329)	—	—	1,329	—
Shares issued as scrip dividends	(6,170)	—	—	—	—	(6,170)
Reserve arising on scrip dividends	—	—	—	—	218,678	218,678
2012 final dividend	—	—	—	—	(263,998)	(263,998)
2013 interim dividend	—	—	—	—	(134,117)	(134,117)
At 31 December 2013	1,711,336	44,508	213,560	13	1,528,035	3,497,452

32 BORROWINGS

Group

	2014 HK\$'000	2013 HK\$'000
Long-term bank loans		
Secured	5,198,227	2,884,117
Unsecured	9,700,377	4,861,094
	14,898,604	7,745,211
Short-term bank loans		
Secured	100,000	—
Unsecured	70,000	148,950
	15,068,604	7,894,161
Current portion included in current liabilities	(1,824,578)	(2,619,982)
	13,244,026	5,274,179

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

	2014 HK\$'000	2013 HK\$'000
Within one year	1,654,578	2,471,032
Between one to two years	2,978,563	1,521,243
Between two to five years	10,265,463	3,752,936
	14,898,604	7,745,211

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 2.5% (2013: 3.0%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	13,205,321	6,418,759
RMB	1,863,283	1,475,402
	15,068,604	7,894,161

Notes to the Consolidated Financial Statements

33 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 market value of the notes as at 31 December 2014 was HK\$1,551 million (2013: HK\$1,618 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 2014 is HK\$1,022 million.

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

34 DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2014 HK\$'000	2013 HK\$'000
Under non-current assets:		
Interest rate swaps	2,644	12,313
Under non-current liabilities:		
Forward foreign exchange contract	2,613	1,896
Interest rate swaps	298	—
	2,911	1,896

The notional principal amounts of the outstanding forward foreign exchange contract at 31 December 2014 was USD200 million (2013: USD200 million).

The notional principal amounts of the outstanding interest rate swaps at 31 December 2014 were HK\$950 million (2013: HK\$950 million).

35 DEFERRED TAXATION

Group

	2014 HK\$'000	2013 HK\$'000
Deferred taxation assets	36,455	52,079
Deferred taxation liabilities	(1,626,042)	(1,223,227)
	(1,589,587)	(1,171,148)

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 2013	(128,640)	(710,026)	(267,656)	25,775	(1,080,547)
Exchange differences	(4,292)	(21,651)	(7,626)	2,653	(30,916)
Charged to profit and loss statement	(17,685)	(18,930)	(22,223)	(847)	(59,685)
At 31 December 2013	(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)

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\$119,867,000 (2013: HK\$105,345,000) arising from unused tax losses of HK\$606,863,000 (2013: HK\$559,463,000) have not been recognised in the financial statements. Unused tax losses of HK\$453,503,000 (2013: HK\$415,213,000) have no expiry date and the balance will expire at various dates up to and including 2019.

Deferred taxation liabilities of HK\$116,378,000 (2013: HK\$47,241,000) 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

36 CREDITORS AND ACCRUALS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade creditors	914,919	838,501	—	—
Other creditors	39,140	54,200	2,961	2,951
Amounts due to non-controlling interests	5,847	377,624	—	—
Accrued operating expenses	173,720	191,816	—	—
Advanced proceeds on sale of properties	95,869	114,652	—	—
Rental and other deposits received	122,119	99,418	—	—
	1,351,614	1,676,211	2,961	2,951

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:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	137,482	455,347	2,961	2,951
RMB	1,213,922	1,220,135	—	—
Singapore dollar	210	729	—	—
	1,351,614	1,676,211	2,961	2,951

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:

	2014 HK\$'000	2013 HK\$'000
Within one month	910,032	835,651
Two to three months	3,305	2,322
Four to six months	946	95
Over six months	636	433
	914,919	838,501

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash used in operations

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	2,707,293	3,003,950
Share of profits of joint ventures	(167,540)	(78,451)
Share of losses/(profits) of associated companies	11,212	(61,107)
Finance costs	21,799	93,861
Fair value gain on transfer of development properties to investment properties	(1,358,197)	(71,071)
Change in fair value of investment properties	(143,253)	(224,154)
Depreciation of property, plant and equipment	43,318	47,363
Amortisation of leasehold land and land use rights	131	132
Interest income	(88,652)	(98,571)
Loss/(gain) on disposal of property, plant and equipment	21	(5,797)
Gain on disposal of an investment property	—	(69,906)
Fair value of share options granted	4,672	23,770
Net fair value losses/(gains) on derivative financial instruments	10,684	(17,833)
Dividend income	(186,857)	—
Operating profit before working capital changes	854,631	2,542,186
Increase in development properties	(7,551,337)	(925,490)
Decrease/(increase) in debtors and prepayments	99,694	(334,390)
(Increase)/decrease in inventories	(891)	2,792
Increase in other non-current assets	(17,337)	(22,539)
Decrease in creditors and accruals	(321,640)	(1,350,419)
Cash used in operations	(6,936,880)	(87,860)

Notes to the Consolidated Financial Statements

38 COMMITMENTS**Group****(a) Contracted but not provided for**

	2014	2013
	HK\$'000	HK\$'000
Commitments in respect of		
— property investment	—	—
— property development	3,070,870	5,119,606
— joint ventures	5,994	5,954
	3,076,864	5,125,560

(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:

	2014	2013
	HK\$'000	HK\$'000
Within one year	14,197	5,103
Two to five years	16,915	14,127
	31,112	19,230

(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:

	2014	2013
	HK\$'000	HK\$'000
Within one year	343,993	298,822
Two to five years	629,846	582,348
After five years	77,573	99,064
	1,051,412	980,234

39 GUARANTEES

As of 31 December 2014, the Group and the Company has executed the following guarantees in favour of the following parties:

Group

	2014		2013	
	Outstanding HK\$000	Utilised HK\$000	Outstanding HK\$000	Utilised HK\$000
Banks and financial institutions in respect of loan facilities granted to:				
— joint ventures	117,000	117,000	117,000	117,000
— associated companies	1,000,000	440,400	641,250	393,900
— properties buyers	123,332	123,332	158,276	158,276
	1,240,332	680,732	916,526	669,176

Company

	2014		2013	
	Outstanding HK\$000	Utilised HK\$000	Outstanding HK\$000	Utilised HK\$000
Banks and financial institutions in respect of loan facilities granted to:				
— subsidiaries	23,345,508	12,937,606	12,747,900	6,183,900
— joint ventures	117,000	117,000	117,000	117,000
— associated companies	1,000,000	440,400	641,250	393,900
	24,462,508	13,495,006	13,506,150	6,694,800

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.

The Group 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.

Notes to the Consolidated Financial Statements

40 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:

	2014	2013
	HK\$000	HK\$000
Fees	740	689
Salaries and other emoluments	26,825	25,098
Discretionary bonuses	5,518	9,432
Pension costs — defined contribution plans	2,741	2,544
Share option	2,656	12,771
	38,480	50,534

- (b) Rental income from an investee company amounted to HK\$1,323,000 (2013: HK\$1,208,000) based on the terms of rental agreement between the parties.
- (c) Rental expense to a related company amounted to HK\$1,556,000 (2013: nil) based on the terms of master lease agreement between the parties.
- (d) As at 31 December 2014 and 2013, 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.

41 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued and fully paid share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Directly held by the Company					
Incorporated in the British Virgin Islands					
Sutimar Enterprises Limited	Hong Kong	100	US\$ 1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
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
Greenwell Investments Limited	Hong Kong	2	N/A	100	Investment holding
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
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
Perfect Weal 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

Notes to the Consolidated Financial Statements

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

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Number of shares	Issued and fully paid share capital		Effective percentage of equity held by the Group	Principal activities
			Amount per share			
Indirectly held by the Company (cont'd)						
Incorporated in Hong Kong (cont'd)						
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
Incorporated in the British Virgin Islands						
				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
Lehorne 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

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

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company (cont'd)				
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
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\$150,000,000	100	Property development
K. Wah (China) Investment Co., Ltd.	Shanghai	US\$118,000,000	100	Investment holding
Shanghai Guoguang Real Estate Development Co., Ltd.	Shanghai	US\$31,000,000	100	Property development
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
Cooperative joint venture				
廣州匯城房地產開發有限公司	Guangzhou	HK\$600,000,000	99.99	Property development
廣州東鏡泰豐房地產開發有限公司	Guangzhou	US\$10,000,000	100	Property development
Equity joint venture				
東莞廣裕房地產開發有限公司	Dongguan	HK\$750,000,000	99	Property development
Shanghai Jia Hui Da Real Estate Development Co., Ltd.	Shanghai	US\$53,000,000	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

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

(b) Joint Ventures

Name of company	Principal place of operation	Number of shares	Issued and fully paid share capital		Effective percentage of equity held by the Group	Principal activities
			Amount per share			
Indirectly held by the Company						
Incorporated in Hong Kong						
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
Incorporated in the British Virgin Islands						
				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	Number of shares	Issued and fully paid share capital		Effective percentage of equity held by the Group	Principal activities
			Amount per share			
Indirectly held by the Company						
Incorporated in Hong Kong						
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
Incorporated in the British Virgin Islands						
				US\$		
Garwin Investment Limited	Hong Kong	1,000	1		15	Investment holding
Great Virtue Developments Limited	Hong Kong	100	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.

Schedule of the Group's Significant Properties

As at 31 December 2014

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
INVESTMENT AND OTHER PROPERTIES						
Hong Kong						
K. Wah Centre 28th, 29th and 30th Floors, 191 Java Road, North Point, Hong Kong	Office	2,926	100	2106	Completed	Existing
J SENSES 60, 60A-66 Johnston Road, Wanchai, Hong Kong	Commercial	3,400	100	2054	Completed	Existing
Mainland China						
Shanghai K. Wah Centre Lot No. 26, Street No. 6, 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, Xinhuaazhen, Huadu District, Guangzhou	Hotel/Office	45,000	100	2039 to 2069	Completed	Existing
DEVELOPMENT PROPERTIES						
Hong Kong						
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	5,100 ⁽¹⁾	100	2070	Completed	Existing
Marinella 9 Welfare Road, Aberdeen, Hong Kong	Residential	4,200 ⁽¹⁾	35	2057	Completed	Existing
Providence Peak 8 Fo Chun Road, Tai Po, New Territories	Residential	19,400 ⁽¹⁾	25	2057	Completed	Existing
Providence Bay 5 Fo Chun Road, Tai Po, New Territories	Residential	28,900 ⁽¹⁾	15	2057	Completed	Existing
Mayfair By The Sea I 23 Fo Chun Road, Tai Po, New Territories	Residential/ Commercial	67,000	15	2059	Construction	2015
Twin Peaks 9 Chi Shin Street, Tseung Kwan O, New Territories	Residential/ Commercial	28,000	100	2062	Construction	2016
Corinthia By The Sea Tseung Kwan O Town Lot No. 117, Area 66C2, Tseung Kwan O	Residential/ Commercial	45,000	40	2062	Construction	2016
Long Ping Station (North), Yuen Long Town Lot No. 513	Residential	49,000	60	2063	Foundation	2017 or beyond
New Kowloon Inland Lot No. 6526, Kai Tak Area 11 Site 2	Residential	51,000	100	2064	Planning	2017 or beyond
2 Grampian Road, Kowloon	Residential	3,200	100	2047	Foundation	2017 or beyond
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2017 or beyond

Note 1: 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.

Schedule of the Group's Significant Properties

As at 31 December 2014

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
DEVELOPMENT PROPERTIES (cont'd)						
Mainland China						
Le Palais No. 217, Jianshe Road (North) Huadu District, Guangzhou	Residential	19,500	100	2077	Completed	Existing
J Metropolis Xinhuazhen, Huadu District, Guangzhou	Residential/ Commercial	Phase 1: 16,000 Phase 2: 75,000 Phase 3: 40,000 Others: 601,000	99.99	2034 to 2068	Phase 1: Completed Phase 2 & 3: Construction Others: Planning	Phase 1: Existing Phase 2 & 3: 2016 Others: 2017 or beyond
Huadu Jiahua Plaza Yingbin Road, Xinhuazhen, Huadu District, Guangzhou	Residential/ Commercial	Phase 2: 99,000 Phase 3: 81,000	100	2039 to 2069	Construction	Phase 2: 2015 Phase 3: 2017 or beyond
The Palace 236 Jianguoxi Road, Xuhui District, Shanghai	Residential/ Commercial	Phase 1: 3,500 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	61,000	100	2072	Completed	Existing
Upstream Park Wujing Minhang District, Shanghai	Residential/ Commercial	33,000	100	2048 to 2078	Completed	Existing
Windermere Plot B3, B4 Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	71,000	100	2050 to 2080	Completed	Existing
Silver Cove 111 Xihu Zhong Road, Xihu District, Shilong Town, Dongguan	Residential/ Commercial	202,000	99	2082	Construction	2016
North Side of Wan Long Road, Xihu District, Shilong Town, Dongguan	Residential/ Commercial	34,210	99	2082	Planning	2017 or beyond
Lot 19-04, Puxing, Pudong District, Shanghai	Residential	31,000	100	2083	Planning	2017 or beyond
Site 7-7, Unit E18, Weifang Village Street, Pudong District, Shanghai	Residential	14,200	100	2084	Planning	2017 or beyond
Site G68, Maigao Qiao, Qixia District, Nanjing	Residential	142,800	100	2054 to 2084	Planning	2017 or beyond
上海市閘北區北站街道43號街坊10丘	Commercial	20,000	53.61	2056	Planning	2017 or beyond

The information materials, drawings and photos of the development known as "Twin Peaks" and other developments in Hong Kong 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 an 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 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. 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 development or otherwise.

Such design concept drawings of the residential development in these information materials, drawings and photos are products of computer renderings, represent an artist's impression of the development or the part of the development concerned, and are for reference only. Pipes, conduits, air-conditioners, etc. which might exist on the external walls, flat roofs or roofs, etc. of the developments and the surrounding environment and buildings of the developments have been omitted. The renderings do not reflect the actual appearance and the surrounding environment of and the view from the development. The design concept drawings do not simulate or reflect the view from any part of the development and the present or future condition of the surrounding environment and buildings of the development. 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 provided in the actual development. The Vendor reserves the right to alter the building plans. The building plans are subject to the final approvals of the relevant Government authorities. The Vendor reserves 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 agreement 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「嘉悅」及其他位於香港的發展項目的資訊，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（各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，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、或保證或合約條款（不論與景觀是否有關）。未得嘉華國際及各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，純屬畫家對發展項目或發展項目相關部份之想像，僅供參考。發展項目外牆、平台、天台等上可能存在之喉管、管線、冷氣機等及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發展項目任何部份之景觀或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實際發展項目所提供之（如有）不同。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。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。

KW 嘉華國際集團有限公司
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