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

(Stock Code: 00173)

## Reaching new heights through Excellence and Quality

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

## ANNUAL RESULTS HIGHLIGHTS

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

- Revenue of the Group was HK$4,720 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK$6,436 million.
- Attributable Contracted Sales of the Group amounted to a record high of HK$13.5 billion with HK$8.5 billion of which expected to be recognised in 2016 and 2017.
- Underlying profit of the Group increased 95% to HK$1,317 million. Profit attributable to equity holders of the Company was HK$1,367 million.
- Earnings per share was 48.13 HK cents, and the full year dividend per share (including final dividend per share of 12 HK cents) was 17 HK cents.
- As of 31 December 2015, net asset value per share was HK$7.69 and cash and bank deposits amounted to HK$4,337 million.
- In 2015, the Group further enhanced its funding capability by successfully securing a HK$3.3 billion syndicated loan on favourable market terms.
- In 2015, the Group successfully acquired a new site at Tai Po adjacent to our existing joint venture projects at a land premium of HK$3,030 million. The Group will continue to seek opportunities to augment its landbank on a disciplined basis.

## CONSOLIDATED PROFIT AND LOSS STATEMENT

## For the year ended 31 December 2015

| | Note | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|---|
| Revenue | 3 | **4,720,487** | 2,393,967 |
| Cost of sales | | **(1,679,851)** | (984,946) |
| Gross profit | | **3,040,636** | 1,409,021 |
| | | | |
| Other operating income | | **166,821** | 288,536 |
| Other net gains/(losses) | | **163,228** | (11,671) |
| Other operating expenses | | **(352,361)** | (172,099) |
| Administrative expenses | | **(446,029)** | (442,473) |
| Fair value gain on transfer of development properties to investment properties | 4 | **-** | 1,358,197 |
| Change in fair value of investment properties | | **113,528** | 143,253 |
| Finance costs | 5 | **(61,930)** | (21,799) |
| Share of profits of joint ventures | | **76,286** | 167,540 |
| Share of profits/(losses) of associated companies | | **115,166** | (11,212) |
| Profit before taxation | 6 | **2,815,345** | 2,707,293 |
| | | | |
| Taxation charge | 7 | **(1,368,223)** | (815,250) |
| **Profit for the year** | | **1,447,122** | 1,892,043 |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | **1,366,754** | 1,829,960 |
| Non-controlling interests | | **80,368** | 62,083 |
| | | **1,447,122** | 1,892,043 |
| | | | |
| | | ***HK cents*** | *HK cents* |
| Earnings per share | 8 | | |
| Basic | | **48.13** | 65.69 |
| Diluted | | **48.06** | 65.45 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December 2015**

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

**CONSOLIDATED BALANCE SHEET**
**As at 31 December 2015**

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **500,680** | 553,866 |
| Investment properties | | **7,829,881** | 8,127,845 |
| Leasehold land and land use rights | | **15,904** | 17,555 |
| Joint ventures | | **837,530** | 2,477,823 |
| Associated companies | | **510,218** | 974,675 |
| Non-current investment | | **3,972,735** | 7,100,553 |
| Deferred taxation assets | | **100,048** | 36,455 |
| Derivative financial instruments | | **846** | 2,644 |
| Other non-current assets | | **85,613** | 41,886 |
| | | **13,853,455** | 19,333,302 |
| **Current assets** | | | |
| Development properties | | **26,395,780** | 22,547,104 |
| Inventories | | **2,680** | 2,790 |
| Amount due from a joint venture | | **-** | 228,260 |
| Amounts due from associated companies | | **165,150** | 788,782 |
| Debtors and prepayments | 10 | **1,611,519** | 1,118,335 |
| Taxes recoverable | | **198,018** | 112,763 |
| Cash and bank deposits | | **4,337,042** | 6,038,760 |
| | | **32,710,189** | 30,836,794 |
| **Total assets** | | **46,563,644** | 50,170,096 |
| **EQUITY** | | | |
| Share capital | | **283,959** | 278,715 |
| Reserves | | **21,541,214** | 24,866,467 |
| Shareholders' funds | | **21,825,173** | 25,145,182 |
| Non-controlling interests | | **1,511,587** | 1,545,781 |
| **Total equity** | | **23,336,760** | 26,690,963 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **9,418,226** | 13,244,026 |
| Guaranteed notes | | **2,706,597** | 2,703,597 |
| Derivative financial instruments | | **17,302** | 2,911 |
| Deferred taxation liabilities | | **1,645,558** | 1,626,042 |
| | | **13,787,683** | 17,576,576 |
| **Current liabilities** | | | |
| Amounts due to joint ventures | | **238,970** | 1,789,263 |
| Amount due to an associated company | | **31,768** | 27,085 |
| Creditors and accruals | 11 | **1,432,662** | 1,255,745 |
| Pre-sales deposits | | **5,404,066** | 95,869 |
| Current portion of borrowings | | **459,791** | 1,824,578 |
| Taxes payable | | **1,871,944** | 910,017 |
| | | **9,439,201** | 5,902,557 |
| **Total liabilities** | | **23,226,884** | 23,479,133 |
| **Total equity and liabilities** | | **46,563,644** | 50,170,096 |
| **Net current assets** | | **23,270,988** | 24,934,237 |
| **Total assets less current liabilities** | | **37,124,443** | 44,267,539 |

## NOTES

### 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants 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 accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2014, except as stated below.

<u>The adoption of revised HKFRSs</u>

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

| | |
|---|---|
| HKAS 19 (Amendment) | Defined Benefit Plan: Employee Benefits – Employee Contributions |
| Annual Improvements to HKFRSs 2010-2012 Cycle | |
| HKAS 16 (Amendment) | Property, Plant and Equipment |
| HKAS 24 (Amendment) | Related Party Disclosures |
| HKAS 38 (Amendment) | Intangible Assets |
| HKFRS 2 (Amendment) | Share-based Payment |
| HKFRS 8 (Amendment) | Operating Segments |
| Annual Improvements to HKFRSs 2011-2013 Cycle | |
| HKAS 40 (Amendment) | Investment Property |
| HKFRS 3 (Amendment) | Business Combinations |
| HKFRS 13 (Amendment) | Fair Value Measurement |

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

<u>New standards and amendments to existing standards that are not yet effective</u>

| | | 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 27 (Amendment) | Equity Method in Separate Financial Statements | 1 January 2016 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities – Applying the consolidation exception | 1 January 2016 |
| HKFRS 11 (Amendment) | Joint Arrangement - Accounting for Acquisitions of Interests in Joint Operation | 1 January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| Annual Improvements to HKFRSs 2012-2014 Cycle | | 1 January 2016 |

## 1. Basis of preparation (cont'd)

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

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

## 2. Segment information

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

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

## 2. Segment information (Cont'd)

| | Property development | | | Property investment | Others | Total |
|---|---|---|---|---|---|---|
| | Hong Kong HK$'000 | Mainland China HK$'000 | Others HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 December 2015** | | | | | | |
| Revenue | 920 | 4,262,982 | - | 351,081 | 105,504 | 4,720,487 |
| Adjusted EBITDA | 17,543 | 2,519,652 | (3,169) | 324,875 | (221,357) | 2,637,544 |
| Other income and expenses/gains, net | | | | | | (22,312) |
| Depreciation and amortisation | | | | | | (42,937) |
| Change in fair value of investment properties | | | | 113,528 | | 113,528 |
| Finance costs | | | | | | (61,930) |
| Share of profits/(losses) of joint ventures | 76,536 | (250) | | | | 76,286 |
| Share of profits of associated companies | 115,166 | | | | | 115,166 |
| Profit before taxation | | | | | | 2,815,345 |
| Taxation charge | | | | | | (1,368,223) |
| Profit for the year | | | | | | 1,447,122 |
| **As at 31 December 2015** | | | | | | |
| Segment assets | 13,026,066 | 19,168,668 | 311,183 | 7,976,587 | - | 40,482,504 |
| Other assets | - | - | - | - | 4,568,242 | 4,568,242 |
| Joint ventures | 837,043 | 487 | - | - | - | 837,530 |
| Associated companies | 675,368 | - | - | - | - | 675,368 |
| Total assets | 14,538,477 | 19,169,155 | 311,183 | 7,976,587 | 4,568,242 | 46,563,644 |
| Total liabilities | 9,080,935 | 12,517,864 | 716 | 1,566,837 | 60,532 | 23,226,884 |
| Year ended 31 December 2014 | | | | | | |
| Revenue | 295,029 | 1,673,238 | - | 315,276 | 110,424 | 2,393,967 |
| Adjusted EBITDA | 180,478 | 733,808 | (3,575) | 290,996 | (191,710) | 1,009,997 |
| Other income and expenses/losses, net | | | | | | 104,766 |
| Depreciation and amortisation | | | | | | (43,449) |
| Fair value gain on transfer of development properties to investment properties | | | | 1,358,197 | | 1,358,197 |
| Change in fair value of investment properties | | | | 143,253 | | 143,253 |
| Finance costs | | | | | | (21,799) |
| Share of profits/(losses) of joint ventures | 169,935 | (2,395) | | | | 167,540 |
| Share of losses of associated companies | (11,212) | | | | | (11,212) |
| Profit before taxation | | | | | | 2,707,293 |
| Taxation charge | | | | | | (815,250) |
| Profit for the year | | | | | | 1,892,043 |
| As at 31 December 2014 | | | | | | |
| Segment assets | 9,878,556 | 18,909,485 | 333,099 | 8,470,559 | - | 37,591,699 |
| Other assets | - | - | - | - | 8,108,857 | 8,108,857 |
| Joint ventures | 2,709,139 | (3,056) | - | - | - | 2,706,083 |
| Associated companies | 1,763,457 | - | - | - | - | 1,763,457 |
| Total assets | 14,351,152 | 18,906,429 | 333,099 | 8,470,559 | 8,108,857 | 50,170,096 |
| Total liabilities | 9,922,964 | 11,944,568 | 281 | 1,541,504 | 69,816 | 23,479,133 |

## 2. Segment information (Cont'd)

| | Property development | | | Property investment | Others | Total |
|---|---|---|---|---|---|---|
| | Hong Kong *HK$'000* | Mainland China *HK$'000* | Others *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2015** | | | | | | |
| Additions to non-current assets | **-** | **5,125** | **115** | **-** | **11,207** | **16,447** |
| Year ended 31 December 2014 | | | | | | |
| Additions to non-current assets | - | 3,264 | 713 | 429,136 | 2,477 | 435,590 |

Geographical segment information

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

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

**Revenue**

| | **2015** *HK$'000* | 2014 *HK$'000* |
|---|---|---|
| Hong Kong | **42,875** | 327,519 |
| Mainland China | **4,677,612** | 2,066,448 |
| Singapore | **-** | - |
| | **4,720,487** | 2,393,967 |

**Non-current assets**

| | **2015** *HK$'000* | 2014 *HK$'000* |
|---|---|---|
| Hong Kong | **1,236,953** | 1,257,365 |
| Mainland China | **7,109,120** | 7,441,380 |
| Singapore | **392** | 521 |
| | **8,346,465** | 8,699,266 |

## 3. Revenue

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

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

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

## 5. Finance costs

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

## 6. Profit before taxation

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit before taxation is stated after crediting:** | | |
| Interest income from banks | **79,262** | 88,501 |
| Interest income from mortgage loans | **467** | 151 |
| Dividend income | **68,243** | 186,857 |
| Release of exchange reserve upon reduction of interest in subsidiaries | **198,606** | - |
| **and after charging:** | | |
| Cost of properties sold | **1,612,973** | 915,062 |
| Cost of inventories consumed/sold | **22,359** | 23,243 |
| Selling and marketing expenses | **326,415** | 131,408 |
| Depreciation (net of capitalisation) | **42,808** | 43,318 |
| Amortisation for leasehold land and land use rights | **129** | 131 |
| Net fair value losses on derivative financial instruments | **16,189** | 10,684 |
| Net exchange losses | **18,698** | 1,105 |

## 7. Taxation charge

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

## 7. Taxation charge (Cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in 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.

## 8. Earnings per share

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company | **1,366,754** | 1,829,960 |

| | **Number of shares** | |
|---|---|---|
| | **2015** | 2014 |
| Weighted average number of shares for calculating basic earnings per share | **2,839,597,000** | 2,785,931,000 |
| Effect of dilutive potential ordinary shares - Share options | **4,223,000** | 9,910,000 |
| Weighted average number of shares for calculating diluted earnings per share | **2,843,820,000** | 2,795,841,000 |

## 9. Dividends

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

## 9. Dividends (Cont'd)

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

## 10. Debtors and prepayments

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

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

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

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

## 11. Creditors and accruals

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

## 11. Creditors and accruals (Cont'd)

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

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

## 12. Guarantees

As at 31 December 2015, the Group has executed the following guarantees in favour of the following parties:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Outstanding** | **Utilised** | Outstanding | Utilised |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'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 |
| - properties buyers | **563,965** | **563,965** | 123,332 | 123,332 |
| | **680,965** | **680,965** | 1,240,332 | 680,732 |

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Apart from the above, the Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

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

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

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

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

## PROPERTY DEVELOPMENT AND INVESTMENT

### *Hong Kong*

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

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

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

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

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

(A) Current Major Development Properties

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

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

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

This is a premium residential complex that is being carried out with another property developer. The development offers 536 units with a total GFA of approximately 45,000 square metres. Pre-sales began in June 2015, and almost all of the residential units have been sold. Superstructure works are underway with completion expected before the end of 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Other properties in Hong Kong

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

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

***Mainland China***

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

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

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

(A) Current Major Development Properties

*Shanghai and Nanjing*

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

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this exclusive luxurious residential project has a total GFA of approximately 100,000 square metres offering 273 residential units and 113 units allocated as serviced apartments under the name of Stanford Residences. Grand Summit went on sale in September 2014, market response has been encouraging with satisfactory sales prices and volumes. The project is complete, and over 65% of the residential units have been sold.

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

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

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

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

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

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

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

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

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

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

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

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

*Guangzhou and Dongguan*

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

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

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

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

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

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

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

Located in the Xihu Village of Shilong Town, this project has a total GFA of approximately 202,000 square metres. It enjoys an expansive river frontage and is within walking distance of the new Dongguan station. Pre-sales started in November 2014, and approximately 40% of the residential units have been sold. Superstructure works are underway on this residential development, and it is scheduled for completion in 2016.

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

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

(B) Investment Property

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

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

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

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

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

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

## OUTLOOK AND STRATEGY

***Global and Asian economies***

The US economy is continuing to grow, and the 2016 consensus forecasts a growth in US GDP at around 2.3%. Further interest rate hikes in the US are expected after the "lift off" in December 2015. It is anticipated that the pace of any increase in US interest rates will be subject to global economic development and to the volatility in the financial and commodity markets. The Eurozone, however, continues to struggle to remain on its recovery course, and it is expected that Brexit will fuel further uncertainty in 2016.

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

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

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

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

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

***Project sales and progress***

***Hong Kong SAR***

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

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

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

***Yangtze River Delta***

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

***Pearl River Delta***
In Guangzhou, we will continue to sell the available units in Le Palais, The J Wings, J Metropolis Phases I, II and III in Guangzhou and Silver Cove Phases I and II in Dongguan. Depending on project progress, we also plan to launch J Metropolis Phase IV and Silver Cove III in the second half of 2016, but the sales results are not expected to be recongised until 2017.

***Land-bank replenishment***

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

***Recurring income***

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

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

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

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

***Conclusion***

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

## REVIEW OF FINANCE

***Financial Position***

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

*Group Liquidity, Financial Resources and Gearing Ratio*

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

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

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

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

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

*Treasury Policies*

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

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

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

*Charges on Group Assets*

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

*Guarantees*

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

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

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

## EMPLOYEES AND REMUNERATION POLICY

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

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

## SUSTAINABLE DEVELOPMENT

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

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

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

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

We are committed to improving the sustainability of our buildings, and are testing sustainable building materials and technologies at selected sites such as our award winning luxury development Marinella, which was awarded the Platinum Rating of Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council in March 2014.

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

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

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

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

## CORPORATE GOVERNANCE

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

Throughout the year under review, the Company has complied with the code provisions ("***CPs***") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("***Listing Rules***") on The Stock Exchange of Hong Kong Limited ("***HK Stock***

***Exchange***") at that time, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2014 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2015 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2015 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("***Model Code***") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all its Directors, the Company confirms that during the year ended 31 December 2015 all of its Directors have complied with the required standards as set out in the Model Code.

## REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2015 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

## FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 30 May 2016 ("***2016 AGM***") a final scrip dividend (with a cash option) for the year ended 31 December 2015 of 12 HK cents per share, totaling HK$340,752,000, payable on 13 July 2016 to the shareholders whose names appear on the registers of members of the Company at the close of business on 10 June 2016 (2014: a final scrip dividend (with a cash option) of 10 HK cents per share totaling HK$278,715,000). Together with the interim scrip dividend (with a cash option) of 5 HK cents per share (2014: interim scrip dividend (with a cash option) of 5 HK cents per share), total dividends per share for the year ended 31 December 2015 is 17 HK cents (2014 total: 15 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2016 AGM and the HK Stock Exchange granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and dividend warrants will be posted on 13 July 2016 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

## CLOSURE OF REGISTERS OF MEMBERS

### *Entitlement to attend and vote at the 2016 AGM*

The registers of members will be closed from 25 May 2016 to 30 May 2016, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2016 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 May 2016.

### *Entitlement to Final Dividend*

The registers of members will be closed from 7 June 2016 to 10 June 2016, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 June 2016.

## PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") (*www.hkexnews.hk*). The Company's 2015 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2016.

## DIRECTORS

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

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

Hong Kong, 23 March 2016