

RW 嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED

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

Stock code 股份代號 0173



創臻善
An Unwavering
Commitment to *Quality*
and *Innovation* 拓恆遠

| Annual Report 2013 年報

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，嘉華國際將繼續秉持「和」、「誠」、「穩」、「精」、「傳」、「創」之文化理念，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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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.



創臻善
An Unwavering
Commitment to *Quality*
and *Innovation* 拓恆遠



Hong Kong

- Marinella
- Chantilly
- Providence Bay
- Providence Peak
- J SENSES*
- 2 Grampian Road
- 30 Po Shan Road
- Tai Po Town Lot 201
- Tseung Kwan O Town Lot No. 115
- Tseung Kwan O Town Lot No. 117
- Yuen Long Town Lot No. 513
- Kai Tak Area 11 Site 2

Shanghai

- Grand Summit
- The Palace
- Upstream Park
- Qingpu District Project (Windermere)
- Shanghai K. Wah Centre
- Lot 19-04, Puxing, Pudong District
- Site 7-7, Unit E18, Weifang Village Street, Pudong District

Guangzhou

- Le Palais
- Xinhuaazhen, Huadu District (Phase 1: J Metropolis)
- Huadu Jiahua Plaza (Phase 1: Crowne Plaza Guangzhou Huadu and office)

Nanjing

- Site G68, Maigao Qiao, Qixia District

Dongguan

- Wan Long Road, Xihu Village, Shilong Town

Jiangmen

- The Summit

* J SENSES is the commercial accommodation of J Residence



Financial Calendar

DATES	EVENTS
29 August 2013	Announcement of Interim Results for the six months ended 30 June 2013
29 October 2013	Payment of 2013 Interim Scrip Dividend (with cash option) of 5 HK cents per share
26 March 2014	Announcement of Annual Results for the year ended 31 December 2013
9 June 2014 to 12 June 2014 (both dates inclusive)	Closure of Registers of Members for ascertaining Shareholders' eligibility to attend and vote at the 2014 Annual General Meeting
12 June 2014	2014 Annual General Meeting
20 June 2014 to 24 June 2014 (both dates inclusive)	Closure of Registers of Members for ascertaining Shareholders' entitlement to the 2013 Final Dividend
24 June 2014	Record Date for 2013 Final Dividend
30 July 2014	Payment of 2013 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, *LLM, FCIS, FCS*

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
Bank of East Asia
DBS Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
China Minsheng Bank

SOLICITORS

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

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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 ("ADR")

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
ADR : KWHAY

Five Years Summary

CONSOLIDATED PROFIT AND LOSS STATEMENT

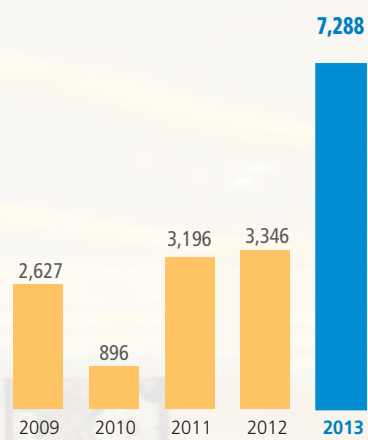
	(Restated) 2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Revenue	2,627,182	896,056	3,196,361	3,346,477	7,288,415
Profit before tax	2,047,952	441,714	1,825,726	5,105,421	3,003,950
Taxation charge	(768,465)	(194,362)	(543,289)	(733,130)	(1,301,940)
Profit from continuing operations	1,279,487	247,352	1,282,437	4,372,291	1,702,010
Profit/(loss) from discontinued operations	2,905	(6,621)	—	—	—
Non-controlling interests	(363,519)	(47,592)	(38,923)	(72,112)	(55,237)
Profit attributable to equity holders of the Company	918,873	193,139	1,243,514	4,300,179	1,646,773
Earnings per share (HK cents)	37.2	7.6	48.3	163.4	60.9
Dividend per share (HK cents)	11.0	2.0	10.0	15.0	15.0

CONSOLIDATED BALANCE SHEET

	(Restated) 2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Non-current assets	4,674,551	5,109,299	5,218,133	5,579,639	5,798,339
Associated companies and joint ventures	3,131,260	3,801,951	3,986,234	4,276,383	4,550,280
Other non-current assets/investments	618,436	1,525,786	2,417,304	4,924,835	11,329,422
Net current assets	7,188,725	7,138,393	8,484,564	15,184,661	15,619,295
Employment of capital	15,612,972	17,575,429	20,106,235	29,965,518	37,297,336
Financed by:					
Share capital	247,038	255,082	257,690	263,379	271,215
Reserves	8,707,479	9,953,423	12,491,475	19,093,656	27,347,538
Shareholders' funds	8,954,517	10,208,505	12,749,165	19,357,035	27,618,753
Non-controlling interests	1,492,701	896,919	996,486	1,052,460	1,475,193
Long-term borrowings and guaranteed notes	4,427,579	5,661,799	5,448,377	8,412,763	6,978,267
Other non-current liabilities	738,175	808,206	912,207	1,143,260	1,225,123
Capital employed	15,612,972	17,575,429	20,106,235	29,965,518	37,297,336
Net assets value per share (HK\$)	3.62	4.00	4.95	7.35	10.18

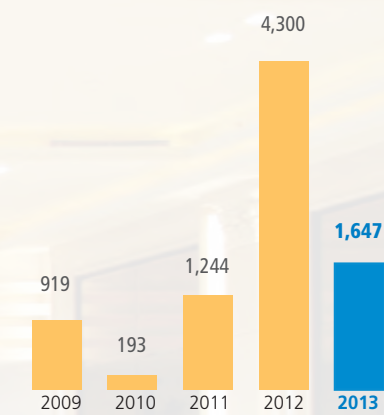
Revenue

(HK\$Million)



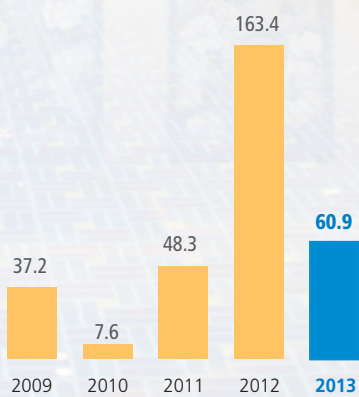
Profit Attributable to Equity Holders of the Company

(HK\$Million)



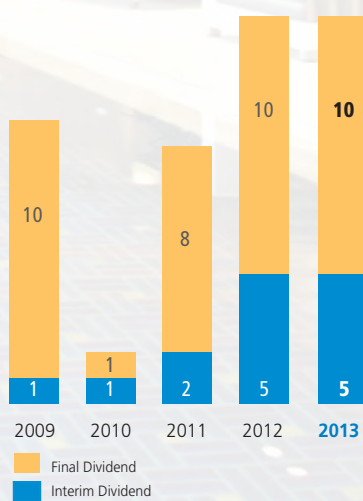
Earnings Per Share

(HK Cents)



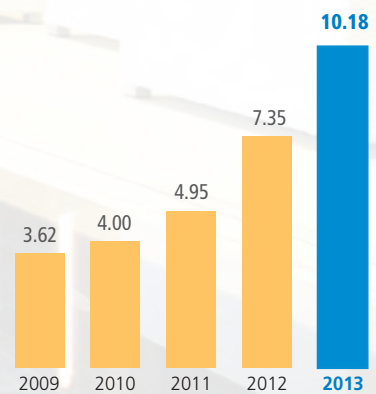
Dividend Per Share

(HK Cents)



Net Assets Value Per Share

(HK\$)





Harmony

We encourage an inclusive, harmonious workplace.

Harmony breeds unity, unity breeds strength. When our staff are all on the same wavelength, they have the ability to work together to achieve a common goal.

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KWIH is always prepared to welcome talented people into our ranks and listen to different viewpoints. This is part of our culture of growth through sharing. In the K. Wah family, we embrace differences and promote teamwork in the belief that this is the best way to encourage creativity and create a unified culture.

Harmony prevails at K. Wah, which accounts for our large pool of high-calibre people and the prosperity of our businesses.

Statement from the Chairman



“The Group’s property portfolio continues to expand following the acquisition of nine premium sites across Mainland China and Hong Kong for over HK\$10 billion in the past 18 months, further consolidating our foothold in the Yangtze River Delta and Pearl River Delta regions. With our accelerated development cycle, we now have more than 20 projects underway and are ready for launch at an opportune time for continuous asset turnover. On the other hand, the Group will expand its investment properties to increase recurring income and enhance stable shareholder returns.”

Dear Shareholders,

In 2013, the global economy saw signs of a turnaround yet was still far off from a full recovery as uncertainties continued in the market. Despite strong economic fundamentals, the economies of Mainland China and Hong Kong remained vulnerable to external market volatility. Market expectations for the tapering of quantitative easing and the beginning of interest rate hikes in the United States, coupled with regulatory measures in Mainland China and Hong Kong, resulted in challenging market conditions for the property sector.

SOLID CORE BUSINESS PERFORMANCE WITH STABLE DIVIDEND

During the year, K. Wah International Holdings Limited (“KWIH” and together with its subsidiaries, the “Group”) recorded satisfactory sales by launching several projects in Shanghai and Guangzhou that met the strong demand for quality properties from Mainland buyers. One of these, The Palace, a luxurious development in downtown Shanghai, topped the sales for high-end properties in that city. Other mass market developments, including Upstream Park in Shanghai, Phase I of J Metropolis, a mega project in Huadu District, Guangzhou, and The Summit in Jiangmen, were well received by buyers owing to their excellent quality, with the majority of units being sold. In Hong Kong, the Group’s joint venture developments of Marinella, Providence Bay and Providence Peak continued to generate satisfactory sales revenue, while its investment property portfolio remained a source of stable recurring income. For 2013, KWIH reported revenue and profit attributable to equity holders of HK\$7.3 billion and HK\$1.6 billion, respectively. Our Board recommended a final dividend of 10 HK cents per share. Together with the interim dividend of 5 HK cents per share, the total dividend for the year amounted to 15 HK cents per share, in line with the Group’s policy of maintaining a stable and higher level of dividend payment compared to the past.

TIMED AND DISCIPLINED BUSINESS EXPANSION

KWIH was able to replenish its landbank in a disciplined manner and at an opportune time by adhering to the principle of prudent financial management and leveraging on its solid financial position. During the past 18 months, we acquired nine premium sites in Mainland China and Hong Kong for a sum of over HK\$10 billion, thereby extending our reach to Nanjing and Dongguan and consolidating our foothold in the Yangtze River Delta and Pearl River Delta regions. Located in well-developed communities with convenient transportation networks and ancillary facilities, these sites hold enormous potential for development.

HIGH-END AND MASS MARKET PRODUCTS DRIVE CONTINUOUS ASSET TURNOVER

As our property portfolio continues to expand, we now have a total GFA of approximately 1.8 million square metres of properties that are already launched, under development or in planning, principally located in first-tier cities such as Hong Kong, Shanghai and Guangzhou. In view of current market conditions and strong underlying demand, the Group is optimizing the proportion of mass market products in parallel with its high-end products to create a balanced portfolio, while accelerating the development cycle for continuous asset turnover. More than 20 projects in Mainland China and Hong Kong are currently underway and will be launched at an opportune time.

STABLE INCOME SOURCES TO DRIVE SUSTAINABILITY

The Group will continue to expand its investment property portfolio in order to increase recurring income, provide stable returns and enhance shareholder value. Our target is to double our GFA from the present level of approximately 100,000 square metres to approximately 200,000 square metres in the next three to four years. We have reserved certain units in The Palace and Grand Summit (two top end projects in prime downtown Shanghai) to be converted to serviced apartments. They are expected to generate rental income starting from 2015. Earlier this month, the Group completed the acquisition of the remaining interests in J SENSES in Wanchai, Hong Kong from the Urban Renewal Authority. Together with Huadu Jiahua Plaza Phase 3, Guangzhou, which is designated for commercial use, the GFA of our investment properties will be further increased.

SOLID FINANCIALS WITH A SPIRIT OF INNOVATION

The Group maintained a solid financial position with a healthy gearing ratio of approximately 14% as at 31 December 2013. Our financial strengths and flexibility were further enhanced following the closing of a HK\$3.3 billion syndication loan in August 2013 and another HK\$3.98 billion syndication loan in March 2014, both of which received strong support from the banking community. As always, we will adhere to the principle of financial prudence while leveraging on our strong balance sheet to push forward the development of multiple projects, react swiftly to market changes and replenish our land bank in a disciplined manner for sustainable development.

Our commitment to developing premium niche properties in the spirit of prudence and innovation has not only earned us the trust of buyers but also brought us a host of architectural and environmental awards and accreditations. In future, we will continue to satisfy the market with properties under the reputable K. Wah brand and our decades of solid experience in the industry.

SOUND CORPORATE GOVERNANCE AND TEAMWORK

Integrity and good corporate governance form the cornerstone of our business on which our shareholders' trust is founded. The members of our Board, each of whom is esteemed in his or her area of expertise, are wholeheartedly committed to exercising independent supervision, providing recommendations, formulating strategies and approving the annual budgets prepared by the management, in order to maintain sound corporate governance and protect shareholders' interests.

I am very pleased to see our management working closely with the rest of our staff as one team to embrace and overcome challenges. On behalf of the Board, I would like to express my sincere appreciation to all of our employees for their hard work over the past year. I look forward to our continuing success in the year ahead.

Dr Lui Che-woo
Chairman

26 March 2014



Integrity

We value integrity, the cornerstone of our reputation, above all else.

Integrity is the ideal we live by and how we run our businesses. It is the essence of all virtues and the cornerstone of our endeavours.

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Chantilly, Hong Kong



Our reputation at KWIH is based on integrity. It defines how we pursue innovation and communicate with our stakeholders. Beyond this, it motivates us to create premium lifestyles for our valued customers.

With proven integrity, K. Wah has become a trusted name in all the markets we serve.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Mainly derived from property sales of The Palace, Upstream Park and Westwood III in Shanghai and J Metropolis in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre, the revenue of the Group increased to HK\$7,288 million for the year ended 31 December 2013 compared with HK\$3,346 million in 2012. The attributable revenue of the Group ("Attributable Revenue"), comprising the revenue of the Group as well as revenue contributions from joint ventures and associated companies amounting to HK\$374 million, decreased to HK\$7,662 million in 2013 from HK\$11,842 million in 2012. The decrease was mainly due to the decline in sales of our joint venture projects in Hong Kong.

Attributable Contracted Sales of the Group (being contracted sales of the Group and contributions from joint ventures and associated companies) in 2013 amounted to approximately HK\$4,800 million, mainly attributable to The Palace, Upstream Park and Westwood III in Shanghai, J Metropolis in Guangzhou as well as joint venture projects in Hong Kong. This amount was recognised in the accounts of the Group in 2013.

Profit attributable to equity holders of the Company and underlying profit of the Group for the year ended 31 December 2013 decreased to HK\$1,647 million and HK\$1,389 million respectively as compared with the previous year.

Total comprehensive income attributable to equity holders of the Company increased by 22% to HK\$8,417 million for the year ended 31 December 2013, as compared with the previous year. The increase in total comprehensive income was primarily due to the increase in fair value of HK\$6,369 million on non-current investments of an approximately 3.9% 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 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						28,063
Depreciation and amortisation						(46,957)
Operating profit						2,734,099
Year ended 31 December 2012						
Revenue	450,777	2,512,665	22,637	279,463	80,935	3,346,477
Adjusted EBITDA	243,703	1,448,346	9,995	239,844	(214,258)	1,727,630
Other income and expenses/gains, net						(10,689)
Depreciation and amortisation						(42,986)
Operating profit						1,673,955

Revenue by Division

For the year ended 31 December 2013
(HK\$'000)



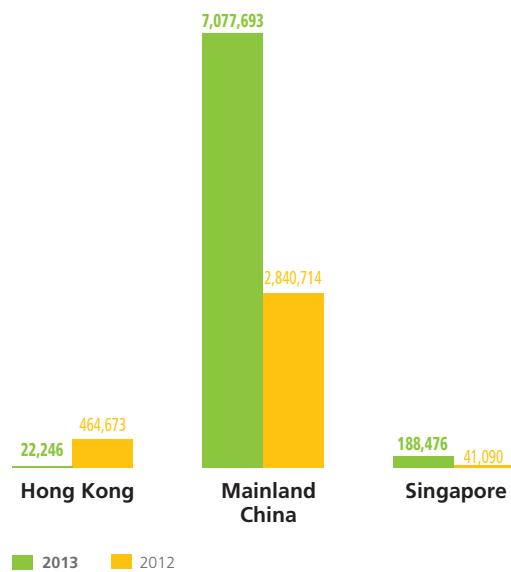
Total Assets by Division

As at 31 December 2013
(HK\$'000)



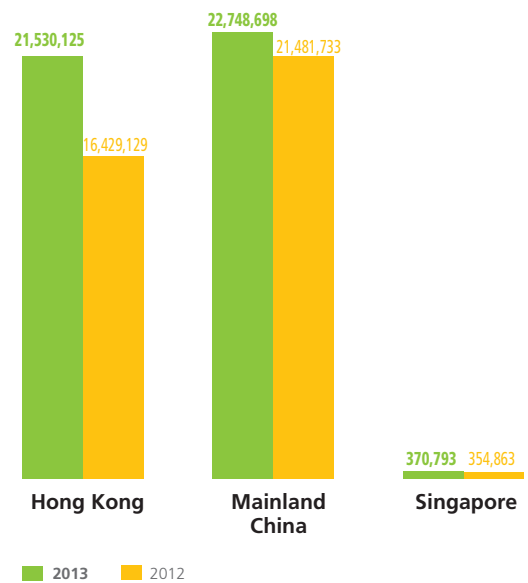
Revenue by Geographical Area

For the year ended 31 December 2013
(HK\$'000)



Total Assets by Geographical Area

As at 31 December 2013
(HK\$'000)



Management Discussion and Analysis

Hong Kong

- 1 Marinella
- 2 Chantilly
- 3 J SENSES
- 4 30 Po Shan Road
- 5 Tseung Kwan O Town Lots Nos.115 & 117
- 6 2 Grampian Road
- 7 Providence Bay, Providence Peak, Tai Po Town Lot 201
- 8 Yuen Long Town Lot No. 513
- 9 Kai Tak Area 1I Site 2



Chantilly, Hong Kong



Hong Kong

The various property market cooling measures in force continued to have an impact during the year. Prices set for new property launches were discounted to bring them closer to the secondary market, although total transaction volumes remained weak. The leasing market, however, was stable, with the Group achieving

satisfactory rentals and occupancy for its investment properties during the year.

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

(A) Current Major Development Properties**(i) Tseung Kwan O Town Lot No.115, Area 66D1 (100% owned)**

The Group plans to develop this project into a premium residential development comprising mainly small-to medium-sized units with a total GFA of approximately 28,000 square metres. Foundation work is underway, and completion of the project is expected by 2016.

(ii) 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. Foundation work has already started, and the project is expected to be completed by 2017.

(iii) Tseung Kwan O Town Lot No.117, Area 66C2 (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. Foundation work is in progress, with an expected completion by 2016.

(iv) 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 over 20% of the residential units were sold.

(v) 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 90% of the residential units have been sold.

(vi) Providence Bay, Tai Po (15% owned)

This is a luxury residential development undertaken with other property developers. Total GFA is approximately 78,400 square metres. The certificate of compliance was obtained in February 2013, and around 60% of the residential units have been sold.



Management Discussion and Analysis



Tai Po Town Lot 201, Hong Kong (progress as of March 2014)

(vii) 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. The certificate of compliance was obtained in April 2013, and over 75% of the residential units have been sold.

(viii) Tai Po Town Lot 201, Tai Po (15% owned)

This is a luxury residential development that is being undertaken with another property developer. Total GFA is approximately 67,000 square metres. Superstructure work is in progress with an expected completion by 2014.

(ix) 2 Grampian Road, Kowloon (100% owned)

The Group plans to develop this project into a premium residential development comprising small-to medium-sized units with a total GFA of approximately 3,200 square metres. Foundation work has been

completed with a targeted completion in 2015.

(x) 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.

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

This newly-acquired 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. The project has huge development potential due to the improved connectivity and amenities proposed under the Government's Energizing Kowloon East plan. Planning and design work will soon commence.

(B) Other properties in Hong Kong

J SENSES at J Residence, Johnston Road, Wan Chai

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 almost fully occupied and continues to deliver stable rental income for the Group. In March 2014, the Group completed the acquisition of the remaining interest in J SENSES from the Urban Renewal Authority.



J SENSES, Hong Kong

Shanghai

- 1 Grand Summit
- 2 The Palace
- 3 Shanghai K. Wah Centre
- 4 Qingpu District Project (Windermere)
- 5 Upstream Park
- 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



The Palace, Shanghai



Mainland China

The Group has established a key presence in the Pearl River Delta and Yangtze River Delta regions in Mainland China. Its property development projects are mainly located in Shanghai and Guangzhou. Despite policies and cooling measures introduced by the Central Government, the property market in Mainland China, particularly in first tier cities, remained positive.

(A) Current Major Development Properties Shanghai and Nanjing

(i) 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,

Management Discussion and Analysis

featuring 13 blocks of luxury residential buildings and upscale commercial facilities. Phase I of the project covering approximately 36,000 square metres GFA was completed in early 2013, and over 85% of the units have been sold.

(ii) *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. The development was completed in late 2013. Over 85% of the residential units have been sold.

(iii) *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. The residential buildings have been topped out and will go on the market in 2014.



(iv) *Qingpu District Project (100% owned)*

Comprising low-rise residential buildings with ancillary shopping facilities, this project is located in a popular tourist area, Zhujiajiao Town in Qingpu District. Covering a total GFA of approximately 69,000 square metres, the project is currently under construction with a targeted completion date in 2014.

(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. The project is in the planning and design stage and expected to reach completion in 2016.

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

This newly-acquired site 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. Upon completion, the residential development will enjoy scenic views of the Huangpu River. The project is in the planning and design stage and expected to reach completion in 2017.

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

This newly-acquired site covering a total GFA of approximately 142,800 square metres is located in a sophisticated community with a comprehensive 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 2017.

Guangzhou

- 1 Le Palais
- 2 Huadu Jiahua Plaza
(Phase 1: Crowne Plaza Guangzhou
Huadu and office)
- 3 Xinhua Zhen, Huadu District
(Phase 1: J Metropolis)

Jiangmen

- 4 The Summit

Dongguan

- 5 Wan Long Road, Xihu Village, Shilong
Town



Crowne Plaza Guangzhou Huadu



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 269,000 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 has commenced and is targeted for completion in 2015, while the final phase is currently under planning.

Management Discussion and Analysis



Phase 2 of Huadu Jiahua Plaza, Guangzhou (progress as of February 2014)

(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) *Xinhuazhen, Huadu District, Guangzhou (99.99% owned)*

The total GFA of Xinhuazhen is approximately 828,000 square metres, with development to be undertaken in phases. The first phase comprises approximately 73,000 square metres. Completed in late 2013. The project has sold nearly 80% of the residential units. The second and third phases totaling approximately 140,000 square metres are in the planning and design stage with a targeted completion in 2016.

(xi) *Roadside of Wan Long Road, Xihu Village, 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. Now in the planning and design stage, this residential development is scheduled for completion in 2016.

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

This newly-acquired site 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. Enjoying a panoramic view of the East River, the site is close to the Guangshen Railway Station and is easily accessed via



J Metropolis, Phase 1 of Xinhuaazhen, Huadu District, Guangzhou

the Guanshen Express Highway, the East Dongguan Highway and the Shilong Station of the R2 Lightrail Line. The project is in the planning and design stage, with completion targeted for the next three to four years.

(xiii) The Summit, Jiangmen (100% owned)

The total GFA of this project is approximately 35,000 square metres with completion in 2013, and over 55% of the units have been sold.



The Summit, Jiangmen

(B) Investment Property (approximately 72,000 square meters)

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

This prime investment property continued to maintain a high occupancy rate throughout the year, achieving satisfactory rental income.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

San Centre is a 12-storey office building, in which the Group owns a total GFA of approximately 5,800 square metres. During the year, the Group entered into an agreement to dispose its interest in the building for a consideration of approximately HK\$440 million. The transaction was completed in September 2013, and the gain was recognised for the year.

Investment in Galaxy Entertainment Group Limited ("GEG")

The Group maintains a non-current investment of 162 million shares, or an approximately 3.9% interest, in GEG carried at fair market value. As of 31 December 2013, the share price of GEG was HK\$69.5 compared with HK\$30.3 as of 31 December 2012. The increase in fair value of approximately HK\$6,369 million was directly recorded as an increase in reserve. This investment has materially increased the net asset position of the Group.



Rendering of Wan Long Road, Xihu Village, Shilong Town Project

Management Discussion and Analysis

OUTLOOK AND STRATEGY

Global and Asian economy

The US and European economies continued to show varying degrees of recovery in 2013, albeit at a tepid pace. The recovery in the US encouraged the Federal Reserve Bank to start reducing its quantitative easing measures towards the end of 2013. However, despite the tapering, interest rates in the US are generally forecast not to increase until the middle of 2015. Europe's economies showed signs of stabilising and began embarking on the road to recovery.

Economic growth in the Mainland is expected to achieve its growth target of around 7.5% in 2014. This has provided support to the economies in the region, including the Hong Kong SAR. Hong Kong's economy grew by 2.9% in 2013 and is projected to grow by 3% to 4% in 2014. The expected growth is based on increasing local consumption, growing inbound visitor numbers, major infrastructure works and improving global demand. The unemployment rate is predicted to remain at low levels while inflation is likely to remain the same as last year.

The property market in Hong Kong and the Mainland

In Hong Kong, the effect of measures designed to cool the property market over the past 18 months continued to have an impact. Prices of new properties in 2013 were discounted to reflect increased tax liabilities and attract buyers. Transaction volumes were low, largely as a result of market uncertainties. The government's cooling measures are expected to stay for the foreseeable future, and the corresponding price corrections may continue for a little longer.

In the Mainland, the central government continued measures previously promulgated in the form of construction credits and mortgage tightening, price controls and home purchase restrictions in the major cities where we operate. However, despite these measures, property prices in major cities of the Mainland increased by double digits in 2013. Prices recently fetched at land auctions in the primary market remained high. We see no sign of these measures loosening. Given the expected economic growth and the reform measures introduced in the Third Plenum held last year,

we are confident about the property sector's long term prospects in the Mainland.

Project sales and progress

In Hong Kong, we will continue to market existing stocks in Chantilly and in our Marinella, Providence Bay and Providence Peak joint venture projects. Our joint venture project Taipo TPTL201 is expected to be launched this year.

In Shanghai, we will continue to market existing stocks in Upstream Park and The Palace and expect to launch the Grand Summit luxury development in 2014. In Guangzhou, we expect to launch our Dongguan project, phase 2 in Guangzhou Huadu Jiahua Plaza and phases 2 and 3 in Xinhuzhen in Huadu District. We will continue to market our existing stocks in Le Palais, Jiangmen and phase 1 in Xinhuzhen in Huadu District.

Depending on its progress, Grand Summit in Shanghai may book its revenue at the end of this year or early next year. The revenue from phase 2 in Guangzhou Huadu Jiahua Plaza and phases 2 and 3 in Xinhuzhen in Huadu District will not be booked in 2014.

Asset turn

As the proportion of the sales floor area from the mass market projects increases, the development cycle has become more important in that a shorter cycle will help to ensure and enhance expected returns. We are therefore working to improve our design, planning and related early phase capabilities with a view to expediting the development process.

Land-bank replenishment

We have been active in replenishing our land bank in Hong Kong and the Pearl River and Yangtze River Delta areas, focusing on the residential segment with prudence and discipline. In the second half of 2013, we purchased a site in Shanghai Pudong district near the Huangpu River and another site in a mature community in Nanjing with good transport links for a total of over HK\$2,900 million. In the first two months of 2014, we successfully acquired a small site adjacent to our existing Dongguan project and a site at the old Kai Tak airport for a total of just over HK\$3,000 million. These brought our

total acquisitions in the past 18 months to nine sites totaling approximately HK\$10,800 million. Our project pipeline will be secured by these acquisitions.

Month	Location		Gross floor area (sqm)	Group's interest
Aug-2012	Hong Kong	Tseung Kwan O Town Lot No.115, Area 66D1	28,000	100%
Aug-2012	Dongguan	Roadside of Wan Long Road, Xihu Village, Shilong Town	202,000	99%
Sep-2012	Hong Kong	Tseung Kwan O Town Lot No.117, Area 66C2	45,000	40%
Oct-2012	Hong Kong	Yuen Long Town Lot No.513	49,000	60%
Nov-2012	Shanghai	Lot 19-04, Puxing, Pudong District	31,000	100%
Oct-2013	Shanghai	Site 7-7, Unit E18, Weifang Village Street, Pudong District	14,200	100%
Oct-2013	Nanjing	Site G68, Maigao Qiao, Qixia District	142,800	100%
Jan-2014	Dongguan	North side of Wan Long Road, Xihu Village, Shilong Town	34,210	99%
Feb-2014	Hong Kong	New Kowloon Inland Lot No. 6526, Kai Tak Area 1I Site 2	51,000	100%

Recurring income

Our recurring income portfolio consists mainly of our Grade A office Shanghai K. Wah Centre in Shanghai, prime commercial shops J SENSES in Hong Kong and a hotel/office development in Guangzhou. It is our intention to double the gross floor area of our recurring income portfolio of approximately 100,000 square metres in three to four years. We have just completed the acquisition of the remaining interest in J SENSES from the Urban Renewal Authority, and around 55,000 square metres in our two luxury developments in prime Shanghai locations, namely, The Palace and Grand Summit will be converted into serviced apartments for rental income purpose.

Conclusion

Our reputation in the market for quality and innovative projects, a visible project pipeline and the strategic initiatives mentioned above, together with our financial prudence and strength, will enable us to achieve our mission of bringing shareholders the best return for their investment.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained strong. Total funds employed were increased to HK\$39 billion as of 31 December 2013 (2012: HK\$31 billion). The number of issued shares of the Company increased

to 2,712,152,918 as of 31 December 2013 (2012: 2,633,793,837) 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 2013, cash and bank deposits stood at HK\$5,624 million, and total borrowings amounted to HK\$9,598 million. Of the long-term bank borrowings, around 68% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totaling HK\$6,029 million and HK\$1,853 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, stayed at a healthy level of 14% as of 31 December 2013 (2012: 21%).

In August 2013, the Group successfully arranged a syndicated loan of HK\$3.3 billion with a well-diversified consortium of banks. Part of the proceeds will be used for refinancing, while the remaining will serve as general

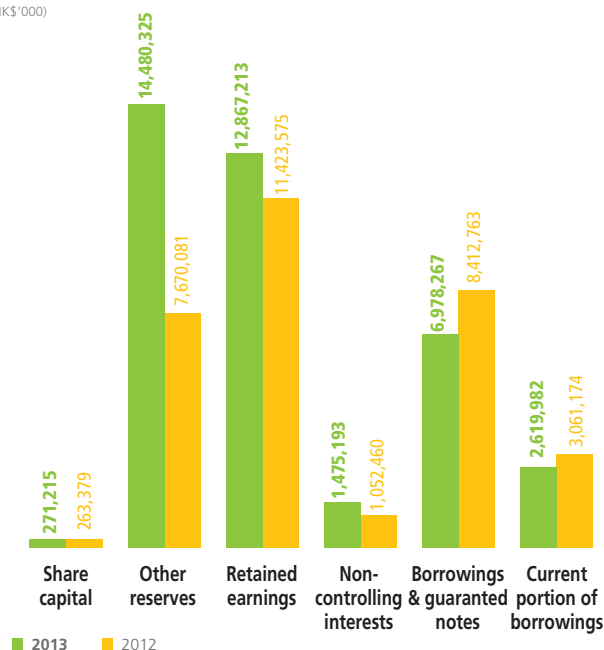
Management Discussion and Analysis

working capital to enhance the Group's liquidity. We also recently completed another syndicated loan of HK\$3.98 billion in March 2014 by taking advantage of the favourable terms available in the market.

We also issued HK\$450 million 7-year Fixed Rate Notes at attractive costs under our MTN programme through private placements in March 2014. These private placements have extended the maturity of our debt profile into the 7-year space.

Sources of Funding

As at 31 December 2013
(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 swaps 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 foreign exchange contracts to mitigate US dollar exposure in respect of the principal of the 5-year US\$200 million guaranteed notes issued in 2012. The Group has also

engaged in the use of interest rate swaps to avoid the impact of any undue interest rate fluctuations on the 5-year HK\$150 million guaranteed notes issued in 2012 and a certain portion of the 5-year syndicated loan raised in August 2013.

Charges on Group Assets

As of 31 December 2013, 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\$11,560 million (2012: HK\$15,220 million) to banks to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2013, 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\$12,748 million (2012: HK\$9,825 million), HK\$117 million (2012: HK\$117 million) and HK\$641 million (2012: HK\$641 million), of which facilities totaling HK\$6,184 million (2012: HK\$6,285 million), HK\$117 million (2012: HK\$117 million) and HK\$394 million (2012: HK\$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$158 million (2012: HK\$154 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 2013, the Group, excluding its associated companies and joint ventures, employs 820 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$302 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 in the areas in which the Group operates its principal business.

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. Similarly, in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

SUSTAINABILITY

The Group focuses on customer needs and pursues the spirit of excellence through quality products and services. This is underpinned by the Group's commitment to research, design and innovation.

The Group creates developments that represent an ideal interplay of environment, design, craftsmanship, state-of-the-art facilities and innovative lifestyle features. Having set a new standard in green living, the Group's signature project Marinella has achieved the Platinum Rating on Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council as well as other accolades. The Group has also incorporated environmentally-friendly practices in its day-to-day operations and continued to be a Saturn Partner of Friends of the Earth.

The Group is committed to enhancing quality of life and skills for its staff and building team spirit through recreational and training activities. The Group seeks to promote communication and interaction among internal departments while cascading its vision and mission to employees so that they develop a greater passion for their work and a stronger sense of belonging. Incentive and award schemes have also been set up to recognise the outstanding performance of staff.

The Group's approach to recruitment, training and talent retention helps develop the right people with the right capabilities. As part of its long-term talent development strategy, the Group introduced a People Development Programme that focuses on leadership and the visionary, functional and management capabilities of its people. The Group also provides development opportunities for employees by offering tailor-made training that meets their business and personal development needs.

The Group is committed to fulfilling its social responsibilities by aiding the underprivileged, promoting art and culture and supporting education. During the year, its volunteers visited senior citizens and children in Tin Shui Wai and Sham Shui Po. As the Honourary Patron of Opera Hong Kong, the Group has been an ardent supporter of local education and outreach programmes that build appreciation for the art of opera. The Group also sponsored a citywide writing contest to cultivate an interest in writing and reading.

Communication with investors takes the highest priority at the Group. The Group maintains a high level of transparency and keeps investors regularly informed of developments at the Company through its corporate website, press conferences, one-on-one meetings, site visits, roadshows and investor presentations.

During the year, the Group won a variety of awards from the investment community, including the Hong Kong Best Mid-Cap in Asia's Best Companies 2013 Poll conducted by *FinanceAsia*, a testament to the Group's corporate governance standards, transparency and business prospects.



穩
心

Prudence

We advance our business with bold vision tempered by prudence.

Those who achieve long-term success in business do so by behaving prudently. By neither rushing ahead nor falling behind, we at KWIH are able to strike the right balance between stability and progress.

Rendering of The Palace
Phase 2, Shanghai



We have persevered through the decades by combining pragmatism with an astute vision and aspiration to innovate. With a strong commitment to our shareholders, we assess investment opportunities carefully and apply sound risk management to ensure they are financially viable.

This approach has enabled K. Wah to overcome all challenges and maintain a firm foothold in the market.

Management Chatroom



Front row, from left: Dr William Yip Shue Lam, Independent Non-executive Director; Dr Lui Che-woo, Chairman; Dr Robin Chan Yau Hing, Independent Non-executive Director

Back row, from left: Wong Kwai Lam, Independent Non-executive Director; Professor Poon Chung Kwong, Independent Non-executive Director; Alexander Lui Yiu Wah, Executive Director; Paddy Tang Lui Wai Yu, Executive Director; Dr Moses Cheng Mo Chi, Non-executive Director; Au Man Chu, Independent Non-executive Director

1. What are the core values of the Group? How does it maintain its long term competitiveness?

Prudence and innovation are the core values of KWIH. As a veteran in the real estate industry with keen market sense and flexibility, we are known for our quality and ability to create unique, innovative and competitive products for our customers.

Prudence and sensibility also underlie the day-to-day operation of the Group. From financial management, property development, sales and marketing to land acquisition, we strive to seize the opportune time while exercising stringent control over cost and quality to ensure operating effectiveness.

The Group has earned its reputation thanks to a team of seasoned professionals who are passionate, visionary and creative. To remain competitive in a business that emphasizes

innovation and teamwork, we constantly focus on reinforcing professionalism and team spirit.

2. How does the Group realize its goal of enhancing asset turn?

We will bring forward certain preliminary works, such as planning and design and related early phase capabilities. At the same time, we will strictly follow our pre-determined schedules and ensure staff at all levels work closely to expedite the development process.

We have completed development planning for the five sites acquired in Hong Kong and Mainland China in the second half of 2012 and have commenced construction at some of these sites. The riverside project at Shilong, Dongguan, for example, has been scheduled for pre-sale towards the end of 2014, thanks to the collaborative efforts of our team. Our goal is to develop a project, from land acquisition to sales, in about three years.

3. How does the Group respond to the various property market control measures introduced by the Central Government and the Hong Kong SAR Government in recent years?

The Group has stepped up property developments to meet underlying demand. These include Upstream Park in Minhang District, Shanghai, Phase I of J Metropolis in Huadu District, Guangzhou and The Summit in Jiangmen, all of which were well received by the market. The Palace, a high-end project in the city centre of Shanghai, also recorded remarkable sales with its exceptional quality and became the best-selling project of its type in Shanghai last year.

The Group will continue to optimize the proportion of its mass market products in parallel with high-end properties to create a competitive and balanced portfolio. Over the past two years, the Group has acquired a number of quality land parcels in Hong Kong at Kai Tak, Tseung Kwan O and Yuen Long, as well as in Shanghai, Nanjing and Dongguan. Located in well-developed communities with a wide array of facilities, these sites will provide a combined GFA of more than 500,000 sqm. As the success of mass market products hinges on sales volume and turnaround time, the Group will accelerate its development cycle in order to achieve continuous asset turnover.

We also have plans to expand our investment property portfolio from our current level of approximately 100,000 sqm to approximately 200,000 sqm in three to four years, in order to increase our recurring income.

4. What is your dividend policy?

The Group intends to maintain a stable and relatively high level of dividend compared to the past. Our annual dividend of 15 HK cents per share for 2013 was in line with this objective. When determining the level of a dividend payment, the Group will consider a range of factors, such as profitability, cash flow, pay-out ratio, dividend yield and long-term dividend policy.

5. Are there any specific plans to increase the Group's investment properties?

The Group plans to double the GFA of its investment properties from 100,000 sqm to 200,000 sqm in the next three to four years. In

March 2014, we completed the acquisition of the remaining interest in J SENSES in Wanchai, Hong Kong from the Urban Renewal Authority. We will also convert approximately 55,000 sqm of GFA in The Palace and Grand Summit, two prestigious residential developments in the prime locations of Shanghai, into serviced apartments. Expected to generate rental income starting from 2015, the two properties also have long-term appreciation potential.

6. What is the Group's development direction for the next three to five years?

KWIH is known for its innovative and premium projects that cater to customers' desire for a sophisticated lifestyle. Many of our projects have also received architectural and environmental awards. We will continue to leverage our strengths and expand our property development portfolio in the future, with an emphasis on both high-end and mass market products. We will also accelerate our property development cycle and create a balanced portfolio in line with market demand.

In addition to our serviced apartments at The Palace and Grand Summit, our project in Zhabei District in Shanghai and Huadu Jiahua Plaza Phase 3 in Guangzhou are also earmarked for commercial use to increase recurring income for the Group.

7. What is the land banking strategy of the Group? Apart from the Yangtze River Delta and Pearl River Delta regions, will the Group consider expanding to other cities in Mainland China?

The Group has a strategic focus on Hong Kong as well as the Yangtze River Delta and Pearl River Delta regions, where we have acquired nine sites at a total cost of more than HK\$10 billion over the past 18 months. This has extended our presence from Hong Kong, Shanghai and Guangzhou to Nanjing and Dongguan.

Looking ahead, we will continue to explore investment opportunities in first- and second-tier cities in these regions and replenish our land bank in a disciplined manner. In addition to residential projects, we will also be considering, where appropriate, commercial projects such as offices and serviced apartments with the goal of increasing the Group's investment properties.



精工

Perfectionism

We constantly seek to excel and set ourselves apart.
The true craftsman cuts and polishes each piece of jade over and over again, never content until he has reached perfection.

The Palace, Shanghai

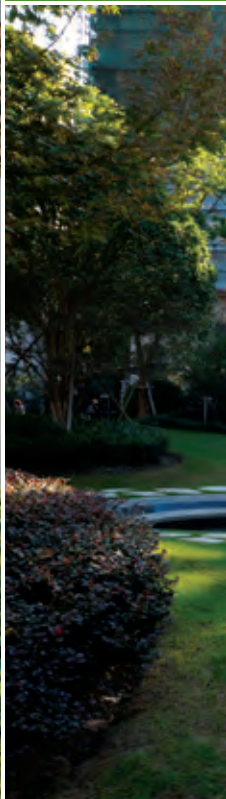
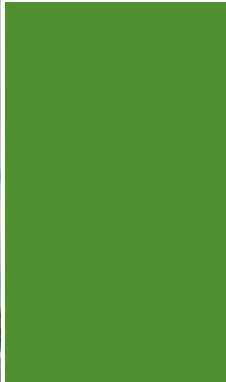


In the same way, training and development are a top priority for KWIH's management team, who constantly seek self-improvement to bring out their best. Using their finely-honed skills, they develop creative property projects up to the highest standards of quality set by the Company.

K. Wah's pursuit of excellence ensures the continuing dynamism of our businesses and outstanding quality of our products.

Project Gallery

Marinella, Hong Kong



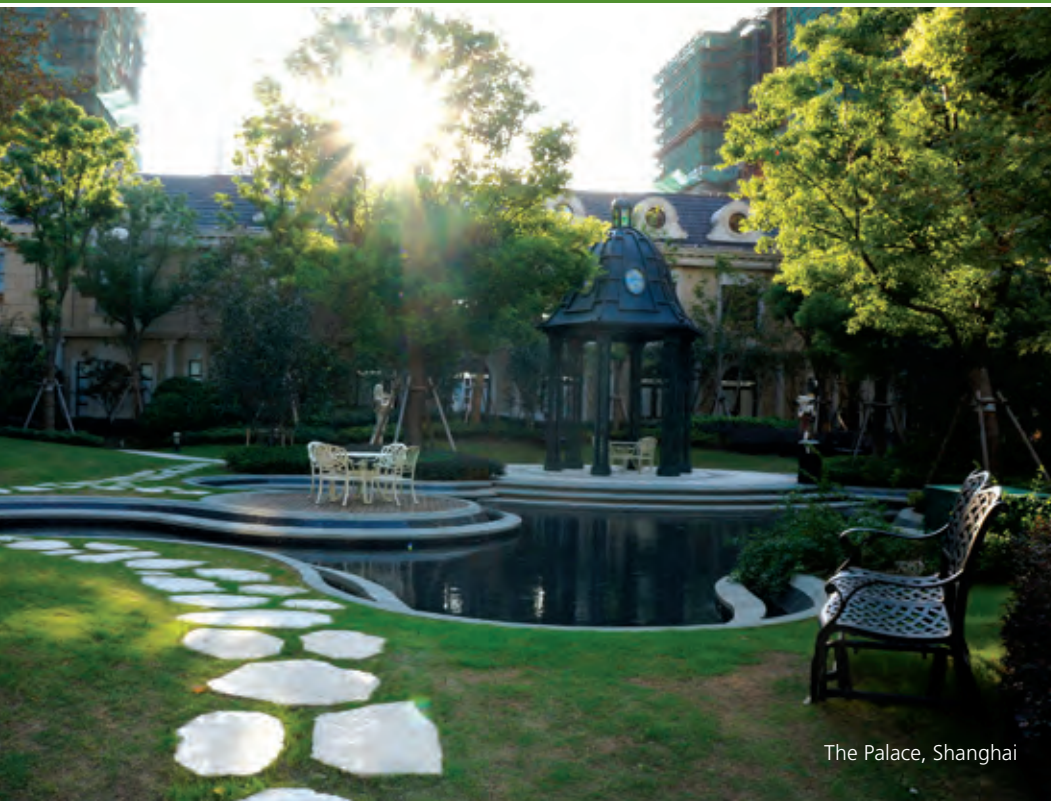
Providence Bay, Hong Kong



Grand Summit, Shanghai



As a trendsetter of green architecture, KWIH incorporates elements of light, oxygen, water, energy and landscaping with state-of-the-art technologies. This helps us obtain maximum leverage of natural resources and set a new benchmark for modern, sustainable living.



The Palace, Shanghai



Windermere, Shanghai



Marinella, Hong Kong



Le Palais, Guangzhou

KWIIH's creation of sophisticated living spaces subtly combines the characteristics of each location with the natural environment to create the ultimate in style and tasteful living.



Windermere, Shanghai



Rendering of Shilong Project, Dongguan





Windermere, Shanghai



Chantilly, Hong Kong

The architectural themes of KWIH's projects draw on rich artistic and cultural traditions, with every detail uniquely crafted to showcase an elegant lifestyle.



Providence Bay, Hong Kong

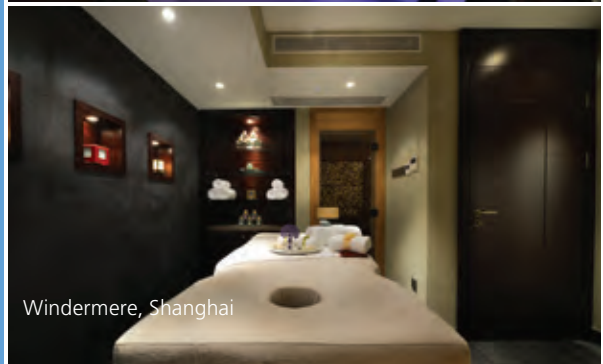


Marinella, Hong Kong

KWIH projects offer outstanding recreational facilities that allow residents to savour every moment and enjoy life to its fullest.



Windermere, Shanghai



Windermere, Shanghai



Marinella, Hong Kong



Marinella, Hong Kong



Marinella, Hong Kong



Rendering of The Summit, Jiangmen



Marinella, Hong Kong



傳

Succession

We are determined to pass on our tradition of philanthropy and business.

Order is created through the successive inheritance of traditions, just as a jade stone comes into perfection after repeated polishing.

Rendering of Puxing Project, Shanghai



Prudence and innovation are the keys to KWIH's success. Veterans and newcomers alike learn from each other in a process that combines experience and knowledge with new ideas to forge an enduring corporate spirit. Both also work to carry on KWIH's tradition of care and to make positive contributions to the community.

K. Wah's emphasis on succession ensures a lasting business and hope for the future.

Sustainable Development

Social progress can only be achieved through the collective efforts of the community, just as a corporation cannot succeed without the full participation of its staff. At KWIH, we are committed to enhancing our staff's quality of life and skills as well as building team spirit through various recreational and training activities. This is in line with our belief that the well-being and all-rounded development of employees form the cornerstone of the Group's ongoing development. We are also committed to fulfilling our responsibilities as a corporate citizen in partnership with our employees by aiding the underprivileged, protecting the environment, promoting art and culture, and supporting education. As a responsible listed company, KWIH will continue to maintain high standards of corporate governance and protect the interests of its stakeholders.



TEAMWORK AND QUALITY OF LIFE

Property development is all about creativity and teamwork. While skills and knowledge are important, passion and positive attitude help enhance work efficiency. At KWIH, we organize regular health seminars and recreational programmes, including Chinese New Year gatherings, movie premieres, an outing to Hong Kong Geopark, and classes in cookery and the art of tea. Some of these activities have involved family members of our staff as part of our family-friendly policy.

To recognize our employees, we also launched an appreciation and commendation programme that encourages learning and participation in corporate and volunteering activities. This provides further motivation for our staff and enhances work efficiency.



Sustainable Development

STAFF DEVELOPMENT FOR A STRONG WORKFORCE

Our approach to recruitment, training and talent retention helps us develop the right people with the right capabilities. Following previous training and development programmes, this year we will introduce a comprehensive People Development Programme that focuses on leadership, visionary, functional and management capabilities. Key initiatives include the co-organization of a Property Executive Development Programme with a renowned university in Mainland China to help our people acquire strategic vision and professional expertise. Under the programme, trips and leadership forums will be held to cultivate leaders capable of meeting current and future business challenges.

We also provided development opportunities for employees by offering tailor-made training that meets their business and personal development needs. Employees were also sponsored to attend external job-related seminars or workshops in Hong Kong and Mainland China organized by accredited educational institutions and professional bodies. Through team-building workshops, we seek to enhance communication among various departments while cascading our vision and mission to employees so that they develop a greater passion for their work and a stronger sense of belonging.



CARE FOR THE COMMUNITY

Caring begins with a warm smile or welcoming words. KWIH volunteer teams collaborated with St. James' Settlement to visit senior citizens and children in Tin Shui Wai and Sham Shui Po to show care and concern for the

community. Through these visits, shows and fundraising initiatives, our staff helped people from different walks of life, and promoted social harmony and inclusion.



Sustainable Development

K. WAH GOES GREEN

Low-carbon living sets the trend. KWIH has incorporated environmentally-friendly features into our day-to-day operations and project developments to promote sustainable development and create high quality living spaces. Our signature project Marinella has achieved the Platinum Rating on Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council, and an Outstanding Green Architecture Award at Green China 2013 presented by *Wen Wei Po*. Through four elements: light, oxygen,

water and energy, KWIH has set a new standard in green living.

Moreover, we continued to be a Saturn Partner of Friends of the Earth, which encourages employees to save energy, reduce consumption and donate surplus food to the underprivileged via food banks to make the conservation of food resources an everyday habit.



Providence Peak, Hong Kong



Windermere, Shanghai



Crowne Plaza Guangzhou Huadu



Marinella, Hong Kong



Grand Summit, Shanghai



APPRECIATION FOR ART AND CULTURE

Art nourishes our souls. As the Honourary Patron of Opera Hong Kong, KWIH has been an ardent supporter of local education and outreach programmes that build appreciation for the art of opera. We sponsored shows such as *The Tales of Hoffmann* and *The Flying Dutchman*, provided local artists with more opportunities to perform, set up scholarships, and produced teaching kits. We also sponsored opera tours at primary, secondary and tertiary institutes so that youngsters can gain exposure to this performing art and gave children of our staff the opportunity to participate in a summer camp for operatic training. During the camp, over 100 children and teenagers took vocal and drama trainings that culminated in a show for the public.



Another activity, the K. Wah Writing Contest, was organized by KWIH in association with *Wen Wei Po* to provide a showcase for local young writers and cultivate an interest in writing and reading. The contest received an enthusiastic response with over 1,000 entries.



Sustainable Development

LENDING SUPPORT TO EDUCATION

K. Wah Group strongly believes in aiding elementary and tertiary education, which is evidenced in the donations made by its Chairman, Dr Lui Che-woo. Recent donations include the establishment of the Lui Che Woo Institute of Innovative Medicine at The Chinese University of Hong Kong and the renovation of a historical building at Fudan University. During the year, Dr Lui was also invited to officiate at the unveiling ceremonies for the Lui Che Woo Clinical Sciences Building and Lui Che Woo Building at Fudan University.

An avid mentor to the younger generation, Dr Lui attended seminars at Tsinghua University in Beijing and Fudan University in Shanghai to share with faculty members and students his experience in management succession and care for the community. He also delivered a keynote speech at the China Hotel Forum hosted by The Hong Kong Polytechnic University. Paddy Lui, Executive Director of KWIH, participated in the CEIBS Second China Family Heritage Forum 2013 and shared her insights on corporate succession and innovation.



PROTECTION OF SHAREHOLDERS' INTERESTS

The importance of regular communication with investors takes a high priority at KWIH. Our intention is to maintain a high level of transparency and keep investors informed of the latest developments at the Group in the timeliest manner possible. This involves regularly disseminating news through our corporate website, as well as financial updates, business plans and strategies through press conferences, one-on-one meetings, site visits, roadshows and investor presentations.

Last year, the Group won a variety of awards from the investment community, including the Hong Kong Best Mid-Cap in Asia's Best Companies 2013 Poll conducted by *FinanceAsia*, the IFAPC Outstanding Listed Company Award 2013, Top 10 Comprehensive

Strength for Medium Enterprise in the Top 100 Hong Kong Stocks and the Best Investment Value Award for Listed Companies. All of these recognitions serve as the testament to the Group's corporate governance standards, transparency and business prospects.

Investors' activities in 2013

Results presentations	2
One-on-one meetings	74
Non-deal roadshows	5
Major investor conferences	5
Luncheon meetings/presentations	5
Site visits	4
Number of participants	Over 350





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Innovation

We innovate to expand and evolve with the times.

As a righteous person daily seeks to renew his virtues, so must an enterprise constantly investigate means to advance and progress.

Rendering of Puxing Project,
Shanghai



Observation and reflection allow KWIH to recognize opportunities ahead of the market. Creativity drives us to build exceptional projects that meet the needs of customers and set new benchmarks for modern living.

In this way is K. Wah able to maintain its market leadership.

Hall of Achievement

K. Wah International Holdings Limited

2013 Best Investment Value Award

First runner-up - Hong Kong Best Mid-Cap in Asia's Best Companies 2013 Poll by *FinanceAsia*

IFAPC Outstanding Listed Company Award 2013 by The Hong Kong Institute of Financial Analysts and Professional Commentators

Top 10 Comprehensive Strength for Medium Enterprise - Top 100 HK Listed Companies 2013 by Finet Group and Tencent Holdings

ERB Manpower Development Award Scheme - Manpower Developer

Shanghai Guo Guang Real Estate Co., Ltd -The Legend

Best Price-setting Developer 2012 by National Bureau of Statistics

Marinella, Hong Kong

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



Outstanding Green Architecture Award - Green China 2013 by *Wen Wei Po*

Certificate of Excellence - Green or Sustainable Build in the 10th Perspective Award

Certificate of Excellence - Residential in the 10th Perspective Award

J Residence, Hong Kong

Class of Excellence - Wastewi\$e Label - Hong Kong Awards for Environmental Excellence



The Palace, Shanghai

Sophisticated Residential Project

Best Furnished Property Project 2012

Best Eco-friendly Community of Shanghai 2012 by Shanghai Municipal Housing Authority

Most Anticipated International Community by *Oriental Morning Post*



Upstream Park, Shanghai

Most-preferred Property of Shanghai by *Today Property*

Gold Award in the 11th Most Preferred Property Project by *Xin Wen Bao She*

The Legend, Shanghai

Best Eco-friendly Community of Shanghai 2012 by Shanghai Municipal Housing Authority

Most Anticipated International Community by *Oriental Morning Post*

J Metropolis, Guangzhou

Best Living Residential Project by Sohu.com

Top Ten Residential Project by Guangzhou Real Estate Association

Most Anticipated International Community of Guangzhou 2013 by Tencent.com and New Home Culture Research Institute

Crowne Plaza Guangzhou Huadu

Certificate of Excellence 2013 by TripAdvisor



Corporate Governance Report

As at 26 March 2014

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2013.

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 66 to 69 of this annual report as well as on the websites of the Company and The 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. One of our INEDs has accounting professional qualification.

Board Practices In 2013, the Board held 4 Board meetings at approximately quarterly intervals, the dates of which had been scheduled at the beginning of the year. Notice of at least 14 days in advance was given for convening a regular Board meeting. The Directors actively participated in person at each Board meeting to approve the annual budget in advance and to review the business progress against the budget. Matters requiring Board consents were given by vote at the Board meeting where Board members acted collectively as a unit. The Chairman also encourages and allows all Directors to have sufficient time to raise question on each agenda item during the meeting. Between scheduled Board meetings, routine/operational matters were considered and approved by the Board via the circulation of written resolutions with supporting 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 2013. The Company receives notification from each Director on an annual basis a list showing the nature of offices he holds in other public 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.1.8 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.

Corporate Governance Report

As at 26 March 2014

Directors' attendance at Board and other meetings in 2013 is as follows:

Name of Director	Meetings attended/Eligible to attend				
	Board Meeting (4)	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	4/4	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung ²	0/4	N/A	N/A	N/A	0/1
Paddy Tang Lui Wai Yu ³	4/4	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah ⁴	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Moses Cheng Mo Chi	3/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Robin Chan Yau Hing	4/4	N/A	N/A	N/A	1/1
William Yip Shue Lam	4/4	2/2	1/1	1/1	1/1
Poon Chung Kwong	4/4	2/2	N/A	N/A	1/1
Au Man Chu	4/4	2/2	N/A	N/A	1/1
Wong Kwai Lam	4/4	N/A	1/1	1/1	1/1
Total	35/40	6/6	3/3	3/3	9/10
Average attendance rate	87.5%	100%	100%	100%	90%

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.

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 2014 annual general meeting (“2014 AGM”) of the Company, Mr. Francis Lui Yiu Wah, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (all are EDs) 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 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 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 “Board Effectiveness — What Works Best”;
- (2) seminar on “Latest Economic Developments in HK: Challenges and Opportunities”;
- (3) seminar on “Environmental, Social and Governance Reporting Guide”; and
- (4) seminar on “Updates on Companies Ordinance and its implications to directors”.

Corporate Governance Report

As at 26 March 2014

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)	(3),(4)
Francis Lui Yiu Tung	—	(1),(2),(3),(4)
Paddy Tang Lui Wai Yu	(1),(2),(4)	(3)
Alexander Lui Yiu Wah	(1),(2),(3),(4)	—
Non-executive Director		
Moses Cheng Mo Chi	(1),(2)	(3),(4)
Independent Non-executive Directors		
Robin Chan Yau Hing	(1)	(2),(3),(4)
William Yip Shue Lam	(1),(2),(3),(4)	—
Poon Chung Kwong	(1),(3),(4)	(2)
Au Man Chu	(1),(2),(3),(4)	—
Wong Kwai Lam	(1),(2),(3)	(4)

Model Code for Securities Transactions by

Directors The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2013. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by some of its employees.

Other than the connected transaction and continuing connected transaction 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.

During the year under review, the Board approved the revised Policy for Nomination of Directors and the revised Model Code, reviewed 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 insider information, and securities dealing for all employees of the Group to comply with the new requirements set out in Part XIVA of the Securities and Future Ordinance when they are in possession of confidential or 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 and 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 58 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. William Yip Shue Lam. 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 21 January 2013, (i) reviewed and approved the 2012 year-end bonus paid to the EDs; and (ii) considered and endorsed the Executive Board’s Share Option Scheme 16th Offer Proposal on granting options to (among others) certain Directors;
- on 20 March 2013, reviewed the level of Directors’ fees for 2012 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2013;
- on 27 January 2014, reviewed and approved the 2013 year-ended bonus paid to EDs; and
- 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.

The Remuneration Committee’s proposals on the EDs’ remuneration packages and the Directors’ fees for 2013 have been endorsed by the Board, and the proposed Directors’ fees will be recommended for Shareholders’ approval at the 2014 AGM. The Remuneration

Corporate Governance Report

As at 26 March 2014

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 2013 are set out in notes 11 and 12 to the 2013 Financial Statements respectively.

Nomination Committee The Nomination Committee of the Company comprises 3 members identified in the table on page 58 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 2013, the Nomination Committee met once in March 2013 with all members attended. At its meeting held on 24 March 2014, 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 2014 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, identified in the table on page 58. 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.

In 2013, the Audit Committee met twice in March 2013 for reviewing the Group's 2012 annual results and financial statements and in August 2013 for reviewing the Group's 2013 interim results and financial statements. At its meeting on 24 March 2014, the Audit Committee reviewed the Group's annual results and

financial statements for 2013 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 revised written terms of reference of the Audit Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

The Audit Committee was satisfied with the independence of PwC during the year and has recommended the Board to propose for the re-appointment of PwC as the external auditor of the Company at the 2014 AGM. An analysis of the fees for 2013 paid to Auditors appears in note 9 to the 2013 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 77 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,

Corporate Governance Report

As at 26 March 2014

and their training programs and budget. The result of the assessment is satisfactory.

During the year 2013 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 2013 annual general meeting ("2013 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2013 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 2013 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 2013 AGM to Shareholders more than 20 clear business days before the 2013 AGM. The Chairman of the 2014 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2014 AGM (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by

shareholders Pursuant to the provisions of Section 74 of the Companies Act 1981 of Bermuda (as amended), a special general meeting may be convened by the Board of Directors upon requisition by any shareholder(s) holding not less than one-tenth of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. The requisition must state the purposes of the meeting, and must be signed by the relevant shareholder(s) and deposited at the principal place of business in Hong Kong of the Company. If the Board of Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the shareholder(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so

convened shall not be held after the expiration of three months from the said date.

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

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

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

CONSTITUTIONAL DOCUMENTS

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

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

The Board and the management of the Company are committed to the principles of good corporate governance which are consistent with prudent enhancement and management of shareholder value. The full Board is entrusted with the overall responsibility of developing 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 2013, 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.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Lui Che-woo, GBM, MBE, JP, LLD, DSSc, DBA, aged 84, 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 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. 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 has been again elected as a member of the Election Committee of the HKSAR in December 2006. 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 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 58, 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. 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. In 2012, Mr. Lui was awarded the Medal of Merit — Tourism by Macau SAR. 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 60, joined the 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 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 2013 for two years. 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 51, joined the 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 Jiangman City Xinhui District Committee of the 13th Chinese People's Political Consultative Conference in 2006 and has been again elected as a committee member of Jiangman City Xinhui District Committee of the 14th Chinese People's Political Consultative Conference in 2012. Mr. Lui was elected as the managing vice-chairman and director of the 5th Board of Directors of Guangzhou Municipal Committee Hong Kong Members Association in January 2013. Mr. Lui was re-appointed as the managing vice-chairman of the 6th Board of Directors of Guangzhou Overseas Friendship-Liaison Association on 26 March 2013. Mr. Lui has been appointed as the deputy chairman (vice president) of the Guangdong Federation of Industry and Commerce in PRC for the years from 2012 to 2017. Mr. Lui has been appointed as a member of Hong Kong CPPCC (Provincial) Members Association Limited on 17 April 2013. Mr. Lui was appointed as the 4th Guest Supervisor for 2013–2015 of Huanggang Exit-Entry Frontier Inspection Station. He is a member of Estate Agents Authority (EAA) and also 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. 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 64, 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 Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited), 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

Biographical Information of Directors

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 China COSCO Holdings Company Limited and Hong Kong Exchanges and Clearing Limited (both are public listed companies on the Main Board of the HK Stock Exchange) with effect from 17 May 2011 and 23 April 2012 respectively. 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 for a term of two years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, GBS, LL.D, JP, aged 81, 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 the China Federation of Overseas Chinese Entrepreneurs and the executive vice chairman of the China Overseas Chinese Entrepreneurs Association. Dr. Chan had been a deputy to The National People’s Congress of the People’s Republic of China from March 1988 to February 2008. He has extensive experience in the banking industry and acts as an adviser to numerous other companies. Dr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. Dr. Chan was conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in June 2013.

Dr. William Yip Shue Lam, LL.D, aged 76, has been an independent non-executive Director, 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 74, 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 is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organization). He is 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)” and also The Honorary Degree of Doctor of Humanities in 2009 from The Hong Kong Polytechnic University. 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 63, 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 64, 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 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 committee and the Board of Trustees as well as a trustee of New Asia College of the Chinese University of Hong Kong. Mr. Wong is an independent non-executive director and a member of the remuneration and appraisal committee as well as related-party transactions control 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 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 Limited (“LHIL”) and LHIL Manager Limited (“LHIL Manager”) which is the trustee-manager of Langham Hospitality Investments (“LHI Trust”). LHIL and the LHI Trust are listed on the Main Board of the HK Stock Exchange. 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.

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 2013 ("2013 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 40 to the 2013 Financial Statements.

RESULTS AND APPROPRIATIONS

The 2013 Financial Statements on pages 78 to 146 of this annual report set out the results of the Group for the year ended 31 December 2013.

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\$0.10 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.15 (2012: HK\$0.15 per Share). Details of dividends are set out in note 16 to the 2013 Financial Statements.

SHARE CAPITAL

Note 28 to the 2013 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 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 30 to the 2013 Financial Statements.

Subject to the approval of Shareholders at the 2014 AGM, the following fees in respect of year ended 31 December 2013 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	180,000	150,000
Audit Committee	130,000	110,000
Remuneration Committee	60,000	50,000
Nomination Committee	60,000	50,000

The distributable reserves of the Company as at 31 December 2013 amounted to HK\$1,741,595,000 (2012: HK\$1,874,166,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$2,408,000 (2012: HK\$40,776,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the 2013 Financial Statements.

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2013 for investment and development purposes are set out on pages 147 to 148 of this annual report.

DIRECTORS

The Directors who served during the year and up to the date of this Report of 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 66 to 69 of this annual report.

In accordance with Bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah will retire by rotation at the forthcoming 2014 annual general meeting of the Company ("2014 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).

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 2013 or at any time during the year ended on that date.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2013, 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)					Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Lui Che-woo	18,778,571	8,317,120 ⁽¹⁾	3,547,878 ⁽²⁾	1,607,701,182 ⁽³⁾	1,638,344,751	60.41
Francis Lui Yiu Tung	7,438,035	—	—	1,607,701,182 ⁽³⁾	1,615,139,217	59.55
Paddy Tang Lui Wai Yu	18,985,173	—	—	1,607,701,182 ⁽³⁾	1,626,686,355	59.98
Alexander Lui Yiu Wah	10,973,234	—	3,859,147 ⁽⁴⁾	1,607,701,182 ⁽³⁾	1,622,533,563	59.82
Moses Cheng Mo Chi	400,000	—	—	—	400,000	0.01
Robin Chan Yau Hing ⁽⁵⁾	1,950,458	—	—	—	1,950,458	0.07
William Yip Shue Lam	400,000	—	—	—	400,000	0.01
Poon Chung Kwong	400,000	—	—	—	400,000	0.01
Au Man Chu	400,000	—	—	—	400,000	0.01
Wong Kwai Lam	600,000	—	—	—	600,000	0.02

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

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by 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.

Report of the Directors

(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 2013, 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 2013, 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
HSBC International Trustee Limited	1,532,793,048	56.52
CWL Assets (PTC) Limited	1,607,701,182	59.28
Super Focus Company Limited	1,185,962,718	43.73
Star II Limited	221,893,337	8.18
Favor Right Investments Limited	158,930,718	5.86
Premium Capital Profits Limited	155,234,515	5.72

Note:

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 2013 on 29 October 2013, the shareholding of HSBC International Trustee Limited was increased to 1,607,701,182 Shares. Such Shares are the aggregation of (i) 158,930,718 Shares held by Favor Right Investments Limited, (ii) 40,914,409 Shares held by Best Chance Investments Limited, (iii) 1,185,962,718 Shares held by Super Focus Company Limited, (iv) 155,234,515 Shares held by Premium Capital Profits Limited, and (v) 66,658,822 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

There was duplication of interests of 1,607,701,182 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, 1,185,962,718 Shares were interested by Super Focus Company Limited, 40,914,409 Shares were interested by Best Chance Investments Limited, 158,930,718 Shares were interested by Favor Right Investments Limited, 155,234,515 Shares were interested between Premium Capital Profits Limited and Star II Limited and 66,658,822 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2013 the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

(1) Purpose

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

(2) Participants

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

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

(3) Total number of Shares available for issue

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

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

As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 33,415,000 Shares, which represented approximately 1.2% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue. However, subject to separate approval by the Shareholders in general meeting with the relevant participant and his 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.

Report of the Directors

(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 2013, were as follows:

Holders	Date of grant	Number of options					Held at 31 December 2013	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2013	Granted during the year ^(a)	Exercised during the year	Lapsed during the year	Exercised during the year			
Lui Che-woo	27 Nov 2007	1,055,000	—	—	—	1,055,000	4.636	27 Nov 2008–26 Nov 2017	
	3 Mar 2009	3,517,500	—	3,517,500 ^(b)	—	—	0.938	3 Mar 2010–2 Mar 2014	
	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	
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	
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	—	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017	
	3 Mar 2009	3,133,400	—	3,133,400 ^(b)	—	—	0.938	3 Mar 2010–2 Mar 2014	
	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		
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	
	3 Mar 2009	3,300,000	—	3,300,000 ^(b)	—	—	0.938	3 Mar 2010–2 Mar 2014	
	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		
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	
Robin Chan Yau Hing	27 Nov 2007	500,000	—	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017	
	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	
William Yip Shue Lam	17 Jan 2012	200,000	—	200,000 ^(c)	—	—	2.120	17 Jan 2013–16 Jan 2018	
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019	
Poon Chung Kwong	17 Jan 2012	200,000	—	200,000 ^(d)	—	—	2.120	17 Jan 2013–16 Jan 2018	
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019	
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	
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	
Employees (in aggregate)	27 Nov 2007	4,724,000	—	—	882,000	3,842,000	4.636	27 Nov 2008–26 Nov 2017	
	24 Jan 2008	1,369,000	—	785,000 ^(e)	—	584,000	3.882	27 Nov 2008–26 Nov 2017	
	3 Mar 2009	573,750	—	10,000 ^(f)	—	563,750	0.938	3 Mar 2010–2 Mar 2014	
	17 Jan 2012	6,070,000	—	5,510,000 ^(g)	—	560,000	2.120	17 Jan 2013–16 Jan 2018	
	21 Jan 2013	—	8,448,000	—	1,560,000	6,888,000	4.610	21 Jan 2014–20 Jan 2019	

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the period was HK\$4.610 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\$4.040 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\$4.450 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\$4.000 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\$4.373 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\$4.360 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\$4.339 per share.

On 21 January 2013, the Company granted 19,038,000 share options (all at subscription price at HK\$4.610 per share) to the Directors and selected employees of the Company and its affiliates, of which 1,560,000 share options have since lapsed.

The fair value of the share options granted during the year is set out in note 29 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 TRANSACTION

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. The Board of Directors of the Company (including the independent non-executive Directors) had noted the above continuing connected transaction.

The continuing connected transaction mentioned above has been reviewed by the independent non-executive Directors of the Company who have confirmed that:

- (1) the transaction has been entered into in the ordinary and usual course of business of the Group and on normal commercial term; and
- (2) the transaction has been entered into in accordance with the Contract No.GE/96/10 and its supplementary agreements governing the transaction that are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction 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 Practical 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 transaction disclosed above in accordance with Rule 14A.38 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

Report of the Directors

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 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.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2013, 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	965,747	151,439
Current assets	25,043,141	6,110,783
Current liabilities	(3,200,917)	(854,589)
	22,807,971	5,407,633
Share capital	73	27
Reserves	11,520,374	2,972,549
Amounts due to shareholders	8,661,524	2,041,279
Non-current liabilities	2,626,000	393,778
	22,807,971	5,407,633

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 2013 Financial Statements and adjusted as appropriate, is shown on pages 6 to 7 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013:

- (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 major suppliers is as follows:

The largest supplier	31%
Five largest suppliers	57%

None of the Directors, their 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 2013 Financial Statements have been audited by Messrs. PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2014 AGM.

On behalf of the Board

Lui Che-woo
Chairman and Managing Director

Hong Kong, 26 March 2014

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 78 to 146, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 2013, and of the profit and cash flows of the Group 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 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Profit and Loss Statement

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	7	7,288,415	3,346,477
Cost of sales		(4,141,848)	(1,212,776)
Gross profit		3,146,567	2,133,701
Other operating income		125,941	150,021
Other net gains		146,544	539,569
Other operating expenses		(244,422)	(207,239)
Administrative expenses		(440,531)	(449,057)
Change in fair value of investment properties		224,154	187,426
Finance costs	8	(93,861)	(49,120)
Share of profits of joint ventures		78,451	2,102,516
Share of profits of associated companies		61,107	697,604
Profit before taxation	9	3,003,950	5,105,421
Taxation charge	13	(1,301,940)	(733,130)
Profit for the year		1,702,010	4,372,291
Attributable to:			
Equity holders of the Company		1,646,773	4,300,179
Non-controlling interests		55,237	72,112
		1,702,010	4,372,291
Earnings per share	15	HK cents	HK cents
Basic		60.95	163.35
Diluted		60.60	162.49
Dividends	16	HK\$'000	HK\$'000
Interim paid		134,117	130,605
Proposed final		271,612	263,998
		405,729	394,603

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the year	1,702,010	4,372,291
Other comprehensive income:		
<i>Item that will not be reclassified to profit and loss:</i>		
Change in fair value of land and buildings transferred to investment properties	—	1,045
<i>Item that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investments	6,369,374	2,612,744
Exchange differences	440,747	4,402
Other comprehensive income for the year	6,810,121	2,618,191
Total comprehensive income for the year	8,512,131	6,990,482
Total comprehensive income attributable to:		
Equity holders of the Company	8,417,492	6,918,557
Non-controlling interests	94,639	71,925
	8,512,131	6,990,482

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	593,184	616,814
Investment properties	18	5,135,518	4,890,916
Leasehold land and land use rights	19	17,558	16,608
Joint ventures	21	2,308,065	2,210,906
Associated companies	22	2,242,215	2,065,477
Non-current investments	23	11,292,641	4,923,267
Deferred taxation assets	34	52,079	55,301
Derivative financial instruments	33	12,313	—
Other non-current assets	24	24,468	1,568
		21,678,041	14,780,857
Current assets			
Development properties	25	15,595,216	13,894,002
Inventories		1,899	4,691
Amount due from a joint venture	21	228,260	853,182
Amount due from an associated company	22	235,315	560,107
Debtors and prepayments	26	1,218,856	867,985
Taxes recoverable		68,067	66,021
Cash and bank deposits	27	5,623,962	7,238,880
		22,971,575	23,484,868
Total assets		44,649,616	38,265,725
EQUITY			
Share capital	28	271,215	263,379
Reserves	30	27,347,538	19,093,656
Shareholders' funds		27,618,753	19,357,035
Non-controlling interests		1,475,193	1,052,460
Total equity		29,093,946	20,409,495

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	5,274,179	6,712,105
Guaranteed notes	32	1,704,088	1,700,658
Derivative financial instruments	33	1,896	7,412
Deferred taxation liabilities	34	1,223,227	1,135,848
		8,203,390	9,556,023
Current liabilities			
Amounts due to joint ventures	21	1,558,289	1,559,370
Amount due to an associated company	22	402,685	104,935
Creditors and accruals	35	1,676,211	2,987,991
Current portion of borrowings	31	2,619,982	3,061,174
Taxes payable		1,095,113	586,737
		7,352,280	8,300,207
Total liabilities		15,555,670	17,856,230
Total equity and liabilities		44,649,616	38,265,725
Net current assets		15,619,295	15,184,661
Total assets less current liabilities		37,297,336	29,965,518

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Company Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current asset			
Subsidiaries	20	259,561	259,561
Current assets			
Amounts due from subsidiaries	20	3,508,086	3,593,484
Cash and bank deposits	27	3,971	3,593
		3,512,057	3,597,077
Total assets		3,771,618	3,856,638
EQUITY			
Share capital	28	271,215	263,379
Reserves	30	3,497,452	3,590,498
Shareholders' funds		3,768,667	3,853,877
LIABILITY			
Current liability			
Creditors and accruals	35	2,951	2,761
Total equity and liability		3,771,618	3,856,638
Net current assets		3,509,106	3,594,316
Total assets less current liability		3,768,667	3,853,877

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Cash used in operations	36	(87,860)	(1,799,003)
Tax paid		(769,198)	(910,823)
Interest paid		(477,153)	(373,859)
Net cash used in operating activities		(1,334,211)	(3,083,685)
Cash flows from investing activities			
Purchases of property, plant and equipment		(11,685)	(41,374)
Net changes in balances with joint ventures		603,169	2,473,269
Net changes in balances with associated companies		506,911	(495,213)
Decrease/(increase) in bank deposits		1,529,115	(68,294)
Proceeds from disposal of a joint venture		—	1,043,749
Proceeds from disposal of property, plant and equipment		9,360	15
Proceeds from disposal of an investment property		285,114	—
Interest received		97,233	110,878
Dividend received from a joint venture		2,000	3,975
Net cash generated from investing activities		3,021,217	3,027,005
Cash flows from financing activities			
Issue of new shares		24,920	2,773
New long-term bank loans		2,829,050	6,261,153
Issue of guarantee notes		—	1,687,569
Acquisition of additional interests in a subsidiary from non-controlling interests		(35,870)	(6,734)
Repayment of long-term bank loans		(3,906,518)	(5,785,429)
New short-term bank loans repayable after three months from date of advance		150,000	1,180,000
Repayment of short-term bank loans repayable after three months from date of advance		(1,070,000)	(485,000)
Capital contribution from non-controlling interests		361,600	7,500
Dividends paid to non-controlling interests		(22,663)	(35,082)
Dividends paid to shareholders		(179,437)	(165,771)
Net cash (used in)/generated from financing activities		(1,848,918)	2,660,979
Net (decrease)/increase in cash and bank balances		(161,912)	2,604,299
Cash and bank balances at beginning of year		5,676,418	3,070,354
Changes in exchange rates		76,109	1,765
Cash and bank balances at end of year		5,590,615	5,676,418

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 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
At 1 January 2012	257,690	5,204,646	7,286,829	12,749,165	996,486	13,745,651
Comprehensive income						
Profit for the year	—	—	4,300,179	4,300,179	72,112	4,372,291
Transfer to profit and loss on disposal of a joint venture	—	(156,838)	—	(156,838)	—	(156,838)
Other comprehensive income						
Other comprehensive income for the year	—	2,615,268	3,110	2,618,378	(187)	2,618,191
Transactions with equity holders						
Fair value of share options	—	10,863	—	10,863	—	10,863
Issue of shares upon exercise of share options	170	2,603	—	2,773	—	2,773
Lapse of share options	—	(942)	942	—	—	—
Acquisition of additional interests in a subsidiary from non-controlling interests	—	—	(1,714)	(1,714)	(5,020)	(6,734)
Shares issued as scrip dividends	5,519	(5,519)	—	—	—	—
Reserve arising on scrip dividends	—	—	170,986	170,986	—	170,986
Capital contribution from non-controlling interests	—	—	—	—	7,500	7,500
Dividends	—	—	(336,757)	(336,757)	(18,431)	(355,188)
At 31 December 2012	263,379	7,670,081	11,423,575	19,357,035	1,052,460	20,409,495

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 29 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 2014.

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 ("HKICPA") under the historical cost convention as modified by the revaluation of investment properties, non-current investments and derivative financial instruments, which are carried at fair values.

The preparation of consolidated financial statements in conformity with 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 2012, except as stated below.

The adoption of revised HKFRSs

In 2013, the Group adopted the following new/revised standards and amendments of HKFRS below, which is relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (cont'd)**HKICPA's annual improvements to certain HKFRSs published in June 2012**

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 34 (Amendment)	Interim Financial Reporting

Except for the adoption of HKAS 1 (Amendment), HKFRS 12 and HKFRS 13 which affected the Group's presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new/revised standards and amendments and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

Standards, amendments and interpretation to existing standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivates and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities	1 January 2014
HK (IFRIC) — Int 21	Levies	1 January 2014
Annual Improvements to HKFRSs 2010–2012 cycle		1 July 2014
Annual Improvements to HKFRSs 2011–2013 cycle		1 July 2014

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

(a) *Subsidiaries*

Subsidiaries are 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 either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. 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.

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**3.1 Consolidation (cont'd)****(a) Subsidiaries (cont'd)****(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 associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

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

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

(b) Associated companies

Associated companies are 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

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

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

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

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

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

(c) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Segment reporting

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

3.3 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.4 Property, plant and equipment

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

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:

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.

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).

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

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.

If a 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

(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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 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.

3.9 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 then consumed. Costs are assigned to individual items on the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.10 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.

3.11 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.

3.12 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 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.

3.14 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.

3.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 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.

3.17 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 tax liabilities are not recognized 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Current and deferred taxation (cont'd)

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 associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference 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.

3.18 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Employee benefits (cont'd)

(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.

3.19 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 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 equity 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.

(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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Foreign currencies (cont'd)

(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.

3.22 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.

3.23 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.

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 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor

4.1.1. Market risk

(i) Foreign exchange risk

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

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

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

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

At 31 December 2013, if Hong Kong dollar had weakened or strengthened by 3% (2012: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been lower or higher by approximately HK\$29 million (2012: higher or lower of HK\$4 million) mainly as a result of foreign exchange gains/losses arising from borrowings and cash at banks.

(ii) Interest rate risk

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

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

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

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 (cont'd)

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 2013, if interest rates had been increased or decreased by 1% (2012: 1%) with all other variables held constant, the profit before taxation for the year would decrease or increase by approximately HK\$24 million (2012: HK\$27 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 2013, if the share price of the available-for-sale investments had been increased or decreased by 10% (2012: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$1,129 million (2012: HK\$492 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.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.2. Credit risk (cont'd)

The credit risk on liquid funds is limited because around 62% (2012: 83%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 38% (2012: 17%) 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 2013, the Group's total undrawn facilities amounted to HK\$7.9 billion (2012: HK\$5.3 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	Total HK\$'000
Group				
At 31 December 2013				
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 interests	377,624	—	—	377,624
Total	6,356,029	1,802,012	5,725,542	13,883,583
At 31 December 2012				
Borrowings	3,394,824	3,554,021	3,723,009	10,671,854
Guaranteed notes	88,053	88,053	1,922,834	2,098,940
Net settled derivative financial instruments	438	438	1,313	2,189
Gross settled derivative financial instruments				
— inflow	—	—	(1,550,340)	(1,550,340)
— outflow	—	—	1,555,700	1,555,700
Trade creditors	709,945	—	—	709,945
Other creditors and accruals	77,647	—	—	77,647
Amounts due to joint ventures	1,559,370	—	—	1,559,370
Amount due to an associated company	104,935	—	—	104,935
Amounts due to non-controlling interests	123,635	—	—	123,635
Total	6,058,847	3,642,512	5,652,516	15,353,875
Company				
At 31 December 2013				
Other creditors	2,951	—	—	2,951
At 31 December 2012				
Other creditors	2,761	—	—	2,761

Note: Interest on borrowings and guaranteed notes are calculated on balances held as at 31 December 2013 and 2012. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 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:

	2013 HK\$'000	2012 HK\$'000
Total borrowings	9,598,249	11,473,937
Less: Cash and bank deposits	(5,623,962)	(7,238,880)
Net borrowings	3,974,287	4,235,057
Total equity	29,093,946	20,409,495
Gearing ratio	14%	21%

4.3 Fair value estimation

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

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

At 31 December 2013 and 31 December 2012, the Group had no Level 3 financial instruments, the only Level 1 financial instrument that are measured at fair value represents the non-current investments (note 23) and Level 2 financial instruments that are measured at fair value represents derivative financial instruments (note 33).

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

(a) *Financial instruments in Level 1*

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

(b) *Financial instruments in Level 2*

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

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

See note 18 for disclosures of the investment properties that are measured 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.

(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.

Notes to the Consolidated Financial Statements

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(b) Fair value of investment properties (cont'd)

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

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

(c) 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.

(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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(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 gains, gain on disposal of a joint venture 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 right, 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 investments, 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.

Notes to the Consolidated Financial Statements

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						28,063
Depreciation and amortisation						(46,957)
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 2012						
Revenue	450,777	2,512,665	22,637	279,463	80,935	3,346,477
Adjusted EBITDA	243,703	1,448,346	9,995	239,844	(214,258)	1,727,630
Other income and expenses/gains, net						(10,689)
Depreciation and amortisation						(42,986)
Gain on disposal of a joint venture		493,040				493,040
Change in fair value of investment properties				187,426		187,426
Finance costs						(49,120)
Share of profits/(losses) of joint ventures	2,105,459	(2,943)				2,102,516
Share of profits of associated companies	697,604					697,604
Profit before taxation						5,105,421
Taxation charge						(733,130)
Profit for the year						4,372,291
As at 31 December 2012						
Segment assets	5,255,893	16,608,805	142,700	5,027,852	—	27,035,250
Other assets	—	—	—	—	5,540,803	5,540,803
Joint ventures	3,060,590	3,498	—	—	—	3,064,088
Associated companies	2,625,584	—	—	—	—	2,625,584
Total assets	10,942,067	16,612,303	142,700	5,027,852	5,540,803	38,265,725
Total liabilities	5,191,877	10,738,220	191,026	1,424,596	310,511	17,856,230

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in three (2012: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2013 and 2012 and total non-current assets (other than non-current investments, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2013 and 2012 by geographical area are as follows:

Revenue

	2013 HK\$'000	2012 HK\$'000
Hong Kong	22,246	464,673
Mainland China	7,077,693	2,840,714
Singapore	188,476	41,090
	7,288,415	3,346,477

Non-current assets

(other than non-current investments, deferred taxation assets, derivative financial instruments and other non-current assets)

	2013 HK\$'000	2012 HK\$'000
Hong Kong	5,297,405	4,779,368
Mainland China	4,999,133	4,807,245
Singapore	2	214,108
	10,296,540	9,800,721

7 REVENUE

	2013 HK\$'000	2012 HK\$'000
Sale of properties	6,924,260	2,986,079
Rental income	274,367	279,463
Hotel operations	89,788	80,935
	7,288,415	3,346,477

Notes to the Consolidated Financial Statements

8 FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest expense		
Bank loans, overdrafts and others, wholly repayable within five years	530,205	419,486
Capitalised as cost of properties under development	(436,344)	(370,366)
	93,861	49,120

The capitalisation rates applied to funds borrowed generally and used for the development of properties are from 1% to 5% per annum (2012: 1% to 7% per annum).

9 PROFIT BEFORE TAXATION

	2013 HK\$'000	2012 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	98,396	113,280
Interest income from mortgage loans	175	222
Gain on disposal of an investment property	69,906	—
Gain on disposal of a joint venture	—	493,040
Gain on transfer of development properties to investment properties	71,071	60,713
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	4,077,525	1,145,555
Cost of inventories consumed/sold	18,365	15,951
Selling and marketing expenses	194,979	159,217
Depreciation (net of amount capitalised under properties under development of HK\$538,000 (2012: HK\$438,000))	46,825	42,181
Amortisation for leasehold land and land use rights	132	805
Auditors' remuneration		
Audit services		
Provision for the year	4,871	4,470
(Over)/under-provision for prior years	(24)	334
Non-audit services	829	656
Losses on disposal of property, plant and equipment	—	48
Operating lease rental for land and buildings	2,230	2,856
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	5,786	5,371
Direct operating expense of investment properties that did not generate rental income	502	512
Net fair value losses on derivative financial instruments	—	7,416
Net exchange losses	17,471	6,720

10 EMPLOYEE BENEFIT EXPENSES

	2013 HK\$'000	2012 HK\$'000
Staff costs including directors' emoluments	312,688	274,479
Pension costs — defined contribution plans	18,747	13,393
Share options granted to directors and employees	23,770	10,863
	355,205	298,735
Less: Amount capitalised under properties under development	(57,259)	(46,927)
	297,946	251,808

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 22% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

During the year forfeitures contributions of HK\$606,000 (2012: HK\$1,498,000) were utilised, leaving HK\$59,000 (2012: HK\$7,000) available at the balance sheet date to reduce future contributions.

Notes to the Consolidated Financial Statements

11 DIRECTORS' REMUNERATION

Name	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Share options (a)	2013 Total	2012 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lui Che-woo	269	10,494	3,975	1,095	3,577	19,410	13,709
Francis Lui Yiu Tung	140	1,296	492	130	2,040	4,098	2,572
Paddy Tang Lui Wai Yu	140	5,520	2,015	546	3,577	11,798	7,747
Alexander Lui Yiu Wah	140	7,788	2,950	773	3,577	15,228	10,533
Robin Chan Yau Hing	140	—	—	—	272	412	278
William Yip Shue Lam	367	—	—	—	272	639	458
Moses Cheng Mo Chi	140	—	—	—	272	412	278
Poon Chung Kwong	250	—	—	—	272	522	370
Au Man Chu	250	—	—	—	272	522	226
Wong Kwai Lam	229	—	—	—	272	501	205
Michael Leung Man Kin (b)	—	—	—	—	—	—	40
Robert George Nield (b)	—	—	—	—	—	—	218
Claudia Cheung Man Wan (c)	—	—	—	—	—	—	107
	2,065	25,098	9,432	2,544	14,403	53,542	36,741

(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.

(b) Resigned/retired.

(c) Passed away.

12 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2012: three) Directors. The emoluments of the five individuals are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other emoluments	32,666	28,500
Pension cost — defined contribution plans	2,603	2,226
Discretionary bonuses	10,104	4,647
Share options granted	11,818	5,171
	57,191	40,544

12 FIVE HIGHEST PAY INDIVIDUALS (cont'd)

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2013	2012
HK\$3,500,001–HK\$4,000,000	—	1
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	—
HK\$7,500,001–HK\$8,000,000	—	1
HK\$10,500,001–HK\$11,000,000	—	1
HK\$11,500,001–HK\$12,000,000	1	—
HK\$13,500,001–HK\$14,000,000	—	1
HK\$15,000,001–HK\$15,500,000	1	—
HK\$19,000,001–HK\$19,500,000	1	—
	5	5

13 TAXATION CHARGE

	2013 HK\$'000	2012 HK\$'000
Current		
Hong Kong profits tax	13,523	10,177
Mainland China		
— Income tax	548,346	427,435
— Land appreciation tax	661,502	228,535
Overseas	20,577	2,991
Over-provision in previous years	(1,693)	(146,157)
Deferred (note 34)	59,685	210,149
	1,301,940	733,130

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

The over-provision of current taxation in 2012 included a reversal of provision for the PRC tax of approximately HK\$148 million upon receipt of a tax clearance for a property project in Mainland China.

There is no income tax provided on other comprehensive income.

Notes to the Consolidated Financial Statements

13 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:

	2013	2012
	HK\$'000	HK\$'000
Profit before taxation	3,003,950	5,105,421
Share of profits of joint ventures	(78,451)	(2,102,516)
Share of profits of associated companies	(61,107)	(697,604)
	2,864,392	2,305,301
Tax calculated at applicable tax rates	556,833	416,142
Income not subject to taxation	(50,826)	(21,947)
Expenses not deductible for taxation purposes	78,574	15,362
Utilisation of previously unrecognised tax losses	(13,468)	(8,900)
Tax loss not recognised	36,177	30,530
Over-provision in previous years	(1,693)	(146,157)
Recognition of previously unrecognised temporary differences	—	60
	605,597	285,090
Withholding tax	34,841	219,505
Land appreciation tax	661,502	228,535
Taxation charge	1,301,940	733,130

14 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\$45,537,000 (2012: HK\$551,776,000).

15 EARNINGS PER SHARE

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

	2013	2012
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	1,646,773	4,300,179
	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	2,701,937,000	2,632,529,000
Effect of dilutive potential ordinary shares Share options	15,486,000	13,822,000
Weighted average number of shares for calculating diluted earnings per share	2,717,423,000	2,646,351,000

16 DIVIDENDS

	2013	2012
	HK\$'000	HK\$'000
Interim scrip dividend (with a cash option) of 5 HK cents (2012: interim scrip dividend (with a cash option) of 5 HK cents) per share	134,117	130,605
Proposed final scrip dividend (with a cash option) of 10 HK cents (2012: final scrip dividend (with a cash option) of 10 HK cents) per share	271,612	263,998
	405,729	394,603
The dividends have been settled by cash as follows:		
Interim	55,324	61,279
Final	—	124,113
	55,324	185,392

The Board of Directors recommended the payment of final scrip dividend (with a cash option) in respect of 2013 of 10 HK cents (2012: final scrip dividend (with a cash option) of 10 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31 December 2014.

Notes to the Consolidated Financial Statements

17 PROPERTY, PLANT AND EQUIPMENT**Group**

	Hotel building	Land and buildings	Plant and machinery	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2012	403,108	169,695	26,989	92,113	691,905
Exchange differences	1	179	7	121	308
Additions	30,067	—	4,026	7,281	41,374
Change in fair value for land and buildings	—	1,045	—	—	1,045
Transfer to investment properties	—	(19,329)	—	—	(19,329)
Transfer from investment properties	—	30,474	—	—	30,474
Disposals	—	—	—	(437)	(437)
At 31 December 2012	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
Accumulated depreciation					
At 1 January 2012	8,333	30,770	3,421	44,260	86,784
Exchange differences	61	91	14	74	240
Charge for the year	18,795	3,248	4,563	16,013	42,619
Transfer to investment properties	—	(743)	—	—	(743)
Disposals	—	—	—	(374)	(374)
At 31 December 2012	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
Net book value					
At 31 December 2013	394,388	145,462	18,701	34,633	593,184
At 31 December 2012	405,987	148,698	23,024	39,105	616,814

Hotel building and land and buildings with carrying values of HK\$539,850,000 (2012: HK\$554,685,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

18 INVESTMENT PROPERTIES

Group

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Total HK\$'000
At 1 January 2012	354,000	4,017,269	184,416	4,555,685
Exchange differences	—	146	11,315	11,461
Change in fair value	51,600	119,394	16,432	187,426
Transfer from development properties	—	149,172	—	149,172
Transfer from property, plant and equipment	—	18,586	—	18,586
Transfer from leasehold land and land use rights	—	1,273	—	1,273
Transfer to property, plant and equipment	—	(30,474)	—	(30,474)
Transfer to leasehold land and land use rights	—	(2,213)	—	(2,213)
At 31 December 2012	405,600	4,273,153	212,163	4,890,916
Exchange differences	—	135,379	(7,723)	127,656
Change in fair value	136,800	76,586	10,768	224,154
Disposals	—	—	(215,208)	(215,208)
Transfer from development properties	108,000	—	—	108,000
At 31 December 2013	650,400	4,485,118	—	5,135,518

- (a) Investment properties comprise mostly completed commercial properties. Investment properties held under medium-term leases in Mainland China amounting to HK\$4,324,854,000 (2012: HK\$4,121,963,000) and HK\$160,264,000 (2012: HK\$151,190,000), were valued at 31 December 2013 on an open market value basis by Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professional valuers respectively. Investment properties held under medium-term leases and long-term leases in Hong Kong amounting to HK\$542,400,000 (2012: HK\$405,600,000) and HK\$108,000,000 (2012: nil) respectively, were valued at 31 December 2013 on an open market value basis by DTZ Debenham Tie Leung Limited and CBRE Limited, independent professional valuers respectively. 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\$4,593,118,000 (2012: HK\$4,485,316,000) were pledged to secure the banking facilities of the Group.

Notes to the Consolidated Financial Statements

18 INVESTMENT PROPERTIES (cont'd)**(c) Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

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

(d) Valuation technique***Fair value measurements using significant unobservable inputs***

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

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

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

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

	Hong Kong	Mainland China
Rental value (HK\$)	40 to 130 psf/month	64 to 763 psm/month
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.

19 LEASEHOLD LAND AND LAND USE RIGHTS

Group

	2013 HK\$'000	2012 HK\$'000
At beginning of year	16,608	16,479
Transfer from investment properties	—	2,213
Transfer to investment properties	—	(1,273)
Exchange differences	1,082	(6)
Amortisation	(132)	(805)
At end of year	17,558	16,608

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\$17,558,000 (2012: HK\$16,608,000) were pledged to secure the banking facilities of the Group.

20 SUBSIDIARIES

	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost less provision	259,561	259,561

Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 40(a).

Notes to the Consolidated Financial Statements

21 JOINT VENTURES**Group**

	2013 HK\$'000	2012 HK\$'000
Share of net assets	2,225,372	2,148,885
Amounts due from joint ventures	82,693	62,021
	2,308,065	2,210,906

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:

	2013 HK\$'000	2012 HK\$'000
Assets	3,181,305	4,016,897
Liabilities	(955,933)	(1,868,012)
Net assets	2,225,372	2,148,885
Revenue	222,915	6,280,726
Profit after taxation	78,451	2,102,516

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 40(b). The joint ventures do not have any material contingent liabilities as at 31 December 2013.

22 ASSOCIATED COMPANIES

Group

	2013 HK\$'000	2012 HK\$'000
Share of net assets	747,204	686,097
Amounts due from associated companies	1,495,011	1,379,380
	2,242,215	2,065,477

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:

	2013 HK\$'000	2012 HK\$'000
Assets	3,080,105	3,313,614
Liabilities	(2,332,901)	(2,627,517)
Net assets	747,204	686,097
Revenue	151,567	2,214,955
Profit after taxation	61,107	697,604

Amounts due from associated companies classified as non-current assets are unsecured, non-interest bearing and will not be repayable within next 12 months.

Amounts due from/(to) associated companies classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand.

There is no single associated company material to the Group.

Details of associated companies of the Group are given in note 40(c). The associated companies do not have any material contingent liabilities as at 31 December 2013.

Notes to the Consolidated Financial Statements

23 NON-CURRENT INVESTMENTS**Group**

	2013 HK\$'000	2012 HK\$'000
Listed equity securities, at fair value	11,292,641	4,923,267

The listed securities represent the Group's 3.9% (2012: 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.

24 OTHER NON-CURRENT ASSETS**Group**

	2013 HK\$'000	2012 HK\$'000
Maintenance deposits	23,168	—
Mortgage loans, net of provision	1,300	1,568
	24,468	1,568

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\$78,000 (2012: HK\$102,000) is included under other debtors. The Group has not provided any impairment loss for its mortgage loans during the year (2012: an impairment loss of HK\$778,000 was provided and included in other operating expenses in the consolidated profit and loss statement).

25 DEVELOPMENT PROPERTIES**Group**

	Completed HK\$'000	Under development HK\$'000	2013 HK\$'000	2012 HK\$'000
Leasehold land and land use rights	835,207	7,204,878	8,040,085	6,027,289
Development costs	1,735,884	5,819,247	7,555,131	7,866,713
	2,571,091	13,024,125	15,595,216	13,894,002

Development properties with carrying values of HK\$6,409,378,000 (2012: HK\$10,163,541,000) were pledged to secure the banking facilities of the Group.

25 DEVELOPMENT PROPERTIES (cont'd)

Group (cont'd)

At the year end date, development properties under development amounting to HK\$10,829,720,000 (2012: HK\$10,045,710,000) 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	2013 HK\$'000	2012 HK\$'000
Long-term lease	404,935	4,017,923	4,422,858	4,546,697
Medium-term lease	3,288,620	328,607	3,617,227	1,480,592
	3,693,555	4,346,530	8,040,085	6,027,289

26 DEBTORS AND PREPAYMENTS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade debtors, net of provision	601,984	31,239	—	—
Other debtors, net of provision	197,709	174,863	—	—
Amounts due from non-controlling interests	7,759	14,638	—	—
Land deposits	337,226	398,152	—	—
Prepayments and other deposits	74,178	249,093	—	—
	1,218,856	867,985	—	—

The debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	64,268	331,849	—	—
RMB	1,145,792	532,396	—	—
Singapore dollar	8,796	3,740	—	—
	1,218,856	867,985	—	—

Notes to the Consolidated Financial Statements

26 DEBTORS AND PREPAYMENTS (cont'd)

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:

	2013	2012
	HK\$'000	HK\$'000
Within one month	502,319	27,906
Two to three months	45,548	59
Four to six months	32,614	—
Over six months	21,503	3,274
	601,984	31,239

The Group has not made any provision for impairment for its trade and other debtors during the year (2012: HK\$851,000). As at 31 December 2013, trade and other debtors of HK\$440,000 (2012: HK\$931,000) were impaired and full provision has been made. Movements of the provision are as follows:

	2013	2012
	HK\$'000	HK\$'000
At beginning of year	931	16,123
Provision for the year	—	851
Written off during the year	(491)	(16,043)
At end of year	440	931

As at 31 December 2013, other debtors included a loan receivable of HK\$121,051,000 (2012: HK\$123,320,000) 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.

27 CASH AND BANK DEPOSITS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Short-term bank deposits maturing after three months	33,347	30,830	—	—
Structured bank deposits	—	1,531,632	—	—
	33,347	1,562,462	—	—
Cash at bank and in hand	3,265,345	2,341,524	3,971	3,593
Short-term and other bank deposits	2,325,270	3,334,894	—	—
	5,590,615	5,676,418	3,971	3,593
Cash and bank deposits	5,623,962	7,238,880	3,971	3,593

The cash and bank deposit include HK\$1,402,010,000 (2012: HK\$775,772,000) which have been pledged or assigned for specific purposes under certain conditions.

The structured bank deposits in 2012 are principal-protected deposits denominated in RMB with fixed maturity dates of not more than 3 months and their interest rates range from 2.8% to 5.1% per annum, with reference to certain interest rate and foreign currency exchange rates. The Group uses the deposits primarily to enhance the interest yield.

The effective interest rate on short-term and other bank deposits is 3.94% (2012: 0.9%) per annum, these deposits have an average of 53 days (2012: 30 days).

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	1,465,116	3,271,643	3,971	3,593
RMB	3,790,894	3,887,437	—	—
Others	367,952	79,800	—	—
	5,623,962	7,238,880	3,971	3,593

Notes to the Consolidated Financial Statements

27 CASH AND BANK DEPOSITS (cont'd)

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Credit Rating:				
Aa	1,243,000	3,724,083	3,923	3,573
A	2,256,575	2,296,941	43	14
Baa	311,161	64,281	—	6
Ba	—	88,748	5	—
Others	1,813,226	1,064,827	—	—
	5,623,962	7,238,880	3,971	3,593

28 SHARE CAPITAL

	2013		2012	
	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	2,633,793,837	263,379	2,576,902,149	257,690
Share options exercised (a)	16,655,900	1,666	1,700,000	170
Issued as scrip dividends	61,703,181	6,170	55,191,688	5,519
At end of year	2,712,152,918	271,215	2,633,793,837	263,379

- (a) During the year, share options to subscribe for 16,655,900 (2012: 1,700,000) shares were exercised, of which HK\$1,665,900 (2012: HK\$170,000) was credited to share capital and HK\$30,886,000 (2012: HK\$3,443,000) to the share premium account and HK\$7,632,000 (2012: HK\$840,000) was debited to share option reserve.

29 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:

	2013		2012	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
At beginning of year	2.4790	37,446,650	2.7057	24,071,650
Granted	4.6100	19,038,000	2.1200	17,264,000
Exercised	1.4962	(16,655,900)	1.6307	(1,700,000)
Lapsed	4.6194	(2,442,000)	2.7983	(2,189,000)
At end of year	3.8622	37,386,750	2.4790	37,446,650
Vested at end of year	3.2058	19,908,750	2.7395	21,702,650

The weighted average share price at the date of exercise for share options exercised during the year was HK\$4.132 (2012: HK\$3.686).

The options outstanding at 31 December 2013 have exercise prices ranging from HK\$0.938 to HK\$4.636 (2012: HK\$0.938 to HK\$4.636) with weighted average remaining contractual life of 4.4 years (2012: 3.9 years).

Notes to the Consolidated Financial Statements

29 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	
		2013	2012
Directors			
27 November 2008 to 26 November 2017	4.636	3,485,000	3,485,000
27 November 2008 to 26 November 2017	3.882	1,600,000	1,600,000
3 March 2010 to 2 March 2014	0.938	—	9,950,900
17 January 2013 to 16 January 2018	2.120	9,274,000	9,674,000
21 January 2014 to 20 January 2019	4.610	10,590,000	—
Employees and others			
27 November 2008 to 26 November 2017	4.636	3,842,000	4,724,000
27 November 2008 to 26 November 2017	3.882	584,000	1,369,000
3 March 2010 to 2 March 2014	0.938	563,750	573,750
17 January 2013 to 16 January 2018	2.120	560,000	6,070,000
21 January 2014 to 20 January 2019	4.610	6,888,000	—
		37,386,750	37,446,650

The fair value of options granted during the year, as determined by using the Black-Scholes valuation model, was HK\$1.36 per option (2012: HK\$0.69). The significant inputs into the model were share price of HK\$4.61 (2012: HK\$2.12) at the grant date, exercise price at the date of granting the options, expected volatility of 48% (2012: 50%), expected life of options of 3.5 years (2012: 3.5 years), dividend yield of 2.46% (2012: 1.73%) and annual risk-free interest rate of 0.25% (2012: 0.49%). 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.

30 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 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 investments	—	—	—	—	—	—	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
At 1 January 2012	1,688,696	20,618	99,089	13	859	3,110	2,138,290	1,253,971	7,286,829	12,491,475
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	4,300,179	4,300,179
Transfer of translation differences to profit and loss on disposal of a joint venture	—	—	—	—	—	—	—	(156,838)	—	(156,838)
Other comprehensive income										
Translation differences	—	—	—	—	—	(2)	—	4,927	—	4,925
Translation differences for joint ventures	—	—	—	—	—	—	—	(18)	—	(18)
Transfer of land and properties to investment properties	—	—	—	—	—	727	—	—	—	727
Release of revaluation reserve	—	—	—	—	—	(3,110)	—	—	3,110	—
Change in fair value of non-current investments	—	—	—	—	—	—	2,612,744	—	—	2,612,744
Transactions with equity holders										
Fair value of share options	—	10,863	—	—	—	—	—	—	—	10,863
Exercise of share options	3,443	(840)	—	—	—	—	—	—	—	2,603
Lapse of share options	—	(942)	—	—	—	—	—	—	942	—
Shares issued as scrip dividends	(5,519)	—	—	—	—	—	—	—	—	(5,519)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	170,986	170,986
Acquisition of additional interest in a subsidiary from non-controlling interests	—	—	—	—	—	—	—	—	(1,714)	(1,714)
2011 final dividend	—	—	—	—	—	—	—	—	(206,152)	(206,152)
2012 interim dividend	—	—	—	—	—	—	—	—	(130,605)	(130,605)
At 31 December 2012	1,686,620	29,699	99,089	13	859	725	4,751,034	1,102,042	11,423,575	19,093,656
Retained by:										
Company and subsidiaries	1,686,620	29,699	99,089	13	859	725	4,751,034	1,101,286	8,629,245	16,298,570
Joint ventures	—	—	—	—	—	—	—	756	2,108,235	2,108,991
Associated companies	—	—	—	—	—	—	—	—	686,095	686,095
	1,686,620	29,699	99,089	13	859	725	4,751,034	1,102,042	11,423,575	19,093,656

Notes to the Consolidated Financial Statements

30 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 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
At 1 January 2012	1,688,696	20,618	213,560	13	1,273,659	3,196,546
Comprehensive income						
Profit for the year	—	—	—	—	551,776	551,776
Transactions with equity holders						
Fair value of share options	—	10,863	—	—	—	10,863
Exercise of share options	3,443	(840)	—	—	—	2,603
Lapse of share options	—	(942)	—	—	942	—
Shares issued as scrip dividends	(5,519)	—	—	—	—	(5,519)
Reserve arising on scrip dividends	—	—	—	—	170,986	170,986
2011 final dividend	—	—	—	—	(206,152)	(206,152)
2012 interim dividend	—	—	—	—	(130,605)	(130,605)
At 31 December 2012	1,686,620	29,699	213,560	13	1,660,606	3,590,498

31 BORROWINGS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Long-term bank loans				
Secured	2,884,117	4,241,210	—	—
Unsecured	4,861,094	4,463,152	—	—
	7,745,211	8,704,362	—	—
Short-term bank loans				
Unsecured	148,950	1,068,917	—	—
	7,894,161	9,773,279	—	—
Current portion included in current liabilities	(2,619,982)	(3,061,174)	—	—
	5,274,179	6,712,105	—	—

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Within one year	2,471,032	1,992,257	—	—
Between one to two years	1,521,243	3,304,600	—	—
Between two to five years	3,752,936	3,407,505	—	—
	7,745,211	8,704,362	—	—

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 3.0% (2012: 3.8%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	6,418,759	6,367,208	—	—
RMB	1,475,402	3,224,028	—	—
Others	—	182,043	—	—
	7,894,161	9,773,279	—	—

Notes to the Consolidated Financial Statements

32 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 2013 was HK\$1,618 million (2012: HK\$1,613 million).

KWIFS issued additional 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 guaranteed notes are within Level 2 of the fair value hierarchy.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Under non-current assets:				
Interest rate swaps	12,313	—	—	—
Under non-current liabilities:				
Forward foreign exchange contract	1,896	7,294	—	—
Interest rate swaps	—	118	—	—
	1,896	7,412	—	—

The notional principal amounts of the outstanding forward foreign exchange contract at 31 December 2013 was USD200 million (2012: USD200 million).

The notional principal amounts of the outstanding interest rate swaps at 31 December 2013 were HK\$950 million (2012: HK\$150 million).

34 DEFERRED TAXATION

Group

	2013 HK\$'000	2012 HK\$'000
Deferred taxation assets	52,079	55,301
Deferred taxation liabilities	(1,223,227)	(1,135,848)
	(1,171,148)	(1,080,547)

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 2012	(112,495)	(662,789)	(105,801)	9,726	(871,359)
Exchange differences	(28)	(368)	(155)	1,512	961
(Charged)/credited to profit and loss statement	(16,117)	(46,869)	(161,700)	14,537	(210,149)
At 31 December 2012	(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)

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\$105,345,000 (2012: HK\$94,598,000) arising from unused tax losses of HK\$559,463,000 (2012: HK\$486,638,000) have not been recognised in the financial statements. Unused tax losses of HK\$415,213,000 (2012: HK\$318,363,000) have no expiry date and the balance will expire at various dates up to and including 2018.

Notes to the Consolidated Financial Statements

35 CREDITORS AND ACCRUALS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade creditors	838,501	709,945	—	—
Other creditors	54,200	25,324	2,951	2,761
Amounts due to				
non-controlling interests	377,624	123,635	—	—
Accrued operating expenses	191,816	52,323	—	—
Advanced proceeds on sale				
of properties	114,652	1,986,077	—	—
Rental and				
other deposits received	99,418	90,687	—	—
	1,676,211	2,987,991	2,951	2,761

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	455,347	175,005	2,951	2,761
RMB	1,220,135	2,807,044	—	—
Singapore dollar	729	5,942	—	—
	1,676,211	2,987,991	2,951	2,761

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:

	2013 HK\$'000	2012 HK\$'000
Within one month	835,651	708,273
Two to three months	2,322	—
Four to six months	95	—
Over six months	433	1,672
	838,501	709,945

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash used in operations

	2013 HK\$'000	2012 HK\$'000
Profit before taxation	3,003,950	5,105,421
Share of profits of joint ventures	(78,451)	(2,102,516)
Share of profits of associated companies	(61,107)	(697,604)
Finance costs	93,861	49,120
Gain on transfer of development properties to investment properties	(71,071)	(60,713)
Change in fair value of investment properties	(224,154)	(187,426)
Depreciation of property, plant and equipment	47,363	42,619
Amortisation of leasehold land and land use rights	132	805
Interest income	(98,571)	(113,502)
Gain on disposal of a joint venture	—	(493,040)
(Gain)/loss on disposal of property, plant and equipment	(5,797)	48
Gain on disposal of an investment property	(69,906)	—
Write off for mortgage loans receivable	—	778
Fair value of share options granted	23,770	10,863
Net fair value (gains)/losses on derivative financial instruments	(17,833)	7,416
Operating profit before working capital changes	2,542,186	1,562,269
Increase in development properties	(925,490)	(2,465,594)
Increase in debtors and prepayments	(334,390)	(547,977)
Decrease in inventories	2,792	4,866
(Increase)/decrease in other non-current assets	(22,539)	556
Decrease in creditors and accruals	(1,350,419)	(353,123)
Cash used in operations	(87,860)	(1,799,003)

Notes to the Consolidated Financial Statements

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

	2013 HK\$'000	2012 HK\$'000
Commitments in respect of		
— property investment	—	—
— property development	5,119,606	3,689,504
— joint ventures	5,954	5,442
	5,125,560	3,694,946

(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:

	2013 HK\$'000	2012 HK\$'000
Within one year	5,103	1,197
Two to five years	14,127	361
	19,230	1,558

(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:

	2013 HK\$'000	2012 HK\$'000
Within one year	298,822	279,340
Two to five years	582,348	374,649
After five years	99,064	114,966
	980,234	768,955

38 GUARANTEES

As of 31 December 2013, the Group and the Company has executed the following guarantees in favour of the following parties:

Group

	2013		2012	
	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	641,250	393,900	641,250	393,900
— properties buyers	158,276	158,276	154,201	154,201
	916,526	669,176	912,451	665,101

Company

	2013		2012	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
— subsidiaries	12,747,900	6,183,900	9,825,443	6,285,443
— joint ventures	117,000	117,000	117,000	117,000
— associated companies	641,250	393,900	641,250	393,900
	13,506,150	6,694,800	10,583,693	6,796,343

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

39 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:

	2013	2012
	HK\$'000	HK\$'000
Fees	689	650
Salaries and other emoluments	25,098	22,637
Discretionary bonuses	9,432	3,203
Pension costs — defined contribution plans	2,544	2,224
Share option	12,771	5,847
	50,534	34,561

- (b) Rental income from an investee company amounted to HK\$1,208,000 (2012: HK\$1,328,000) based on the terms of rental agreement between the parties.
- (c) As at 31 December 2013 and 2012, 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.

40 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Directly held by the Company					
Incorporated in the British Virgin Islands					
			US\$		
Sutimar Enterprises Limited	Hong Kong	100	1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
			HK\$		
Chely Well Limited	Hong Kong	1,000	1	72	Investment holding
Chinapex Company Limited	Singapore	1,000	10	100	Property investment and development
Colour Day International Limited	Hong Kong	2	1	100	Investment holding
Enjoy International Limited	Hong Kong	1	1	100	Investment holding
Excelsior Mark Limited	Hong Kong	1	1	100	Investment holding
Faithfulink Limited	Hong Kong	1	1	100	Investment holding
Grand Place Limited	Hong Kong	1	1	100	Investment holding
Grand Spark Limited	Hong Kong	1	1	100	Property development and Investment
Greenwell Investments Limited	Hong Kong	2	1	100	Investment holding
Golden Arrow Limited	Hong Kong	1	1	100	Investment holding
Goldstar Power Limited	Hong Kong	1	1	100	Investment holding
Hero Plaza Limited	Hong Kong	2	1	100	Property development
Infinity Profit Limited	Hong Kong	1	1	100	Investment holding
K. Wah Financial Services Limited	Hong Kong	2	10	100	Provision of financial services
K. Wah Management Services Limited	Hong Kong	100	100	100	Provision of management services
K. Wah Project Management Service Limited	Hong Kong	2	1	100	Provision of management services
K. Wah Properties Investment Limited	Hong Kong	1,000	10	100	Investment holding
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	0.2	100	Investment holding
King Rays Limited	Hong Kong	2	1	100	Property development
Lucky Way Investment Limited	Hong Kong	2	1	100	Property development
Max Orient Holdings Limited	Hong Kong	1,000	1	100	Investment holding
Minter Limited	Hong Kong	2	1	100	Investment holding
New Fine Limited	Hong Kong	1	1	100	Property development
New Regent Asia Limited	Hong Kong	1	1	100	Property development
Orient Profit Limited	Hong Kong	1	1	100	Property development
Oriental Control Limited	Hong Kong	1	1	100	Investment holding
Perfect Weal Limited	Hong Kong	1	1	100	Investment holding

Notes to the Consolidated Financial Statements

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

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Indirectly held by the Company (cont'd)					
Incorporated in Hong Kong (cont'd)					
Polynice Limited	Hong Kong	2	1	100	Provision of finance
Pure United Limited	Hong Kong	1	1	100	Investment holding
Raise Union Limited	Hong Kong	1	1	100	Investment holding
Skyport Fareast Limited	Hong Kong	1	1	100	Investment holding
Sun City Limited	Hong Kong	2	1	100	Property management
Union Profits Limited	Hong Kong	2	1	100	Property investment
United Best Hong Kong Limited	Hong Kong	1	1	60	Property development
Victory Way Limited	Hong Kong	9,901,000	1	99.99	Investment holding
Wealthy Vision Limited	Hong Kong	1	1	100	Investment holding
Well Sense Limited	Hong Kong	1	1	100	Investment holding
Winway Global Development Limited	Hong Kong	1	1	100	Investment holding
Worldtop China Limited	Hong Kong	1	1	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 finance
League Trend Limited	Hong Kong	1	1	100	Investment holding
Leharne 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

40 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\$165,000,000	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\$90,000,000	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
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
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
上海嘉悅房地產開發經營有限公司	Shanghai	RMB700,000,000	100	Property development
Cooperative joint venture				
廣州滙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 and development
上海凱通文安建設開發有限公司	Shanghai	RMB234,000,000	53.61	Property development

Notes to the Consolidated Financial Statements

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

(b) Joint Ventures

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Anglers' Bay Property Management Company Limited	Hong Kong	2	HK\$ 1	50	Property management
Prime Force Limited	Hong Kong	2	1	50	Property development
Teamer International Limited	Hong Kong	1	1	35	Property development
Ace Glory Limited	Hong Kong	1	1	25	Property development
Ample Excellent Limited	Hong Kong	2	1	50	Property development
Incorporated in the British Virgin Islands					
Full Raise International Limited	Hong Kong	1,000	US\$ 1	25	Investment holding
Homeast Limited	Hong Kong	1,000	1	35	Investment holding

(c) Associated Companies (note)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Jet Union Development Limited	Hong Kong	1	HK\$ 1	40	Property development
King Regent Limited	Hong Kong	1	1	15	Property development
Pacific Bond Limited	Hong Kong	1	1	15	Property development
Union King (Hong Kong) Limited	Hong Kong	1	1	15	Property development
Incorporated in the British Virgin Islands					
Garwin Investment Limited	Hong Kong	1,000	US\$ 1	15	Investment holding
Great Virtue Developments Limited	Hong Kong	10	1	40	Investment holding
Nimble Limited	Hong Kong	100	1	15	Investment holding
Vantage Plus Investments Limited	Hong Kong	100	1	15	Investment holding

Note: Despite its 15% equity interest in each of these companies, significant influence is exercised in the management and thus these companies have been accounted for as associated companies of the Group through the participation in the Board.

Schedule of the Group's Significant Properties

Type of Property	Available 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	Office	2,926	100	2106	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
DEVELOPMENT PROPERTIES					
Hong Kong					
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	6,100 ⁽¹⁾	100	2070	Completed Existing
Providence Peak Tai Po Town Lot No. 188 at Pak Shek Kok, Reclamation Phase 1, Site C, Tai Po, New Territories	Residential	20,200 ⁽¹⁾	25	2057	Completed Existing
The Coronation Kowloon Inland Lot No. 11073 at Junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road	Residential/ Commercial	9,800 ⁽¹⁾	15	2057	Completed Existing
Providence Bay Tai Po Town Lot No. 186 at Pak Shek Kok Development Area, Phase I, Site B, Tai Po, New Territories	Residential	31,600 ⁽¹⁾	15	2057	Completed Existing
Marinella Aberdeen Inland Lot No. 451 at Welfare Road, Aberdeen, Hong Kong	Residential	6,200 ⁽¹⁾	35	2057	Completed Existing
Tai Po Town Lot No. 201, Tai Po	Residential	67,000	15	2059	Superstructure 2014
2 Grampian Road, Kowloon	Residential	3,200	100	2047	Foundation 2015
Tseung Kwan O Town Lot No. 115, Area 66D1, Tseung Kwan O	Residential/ Commercial	28,000	100	2062	Foundation 2016
Tseung Kwan O Town Lot No. 117, Area 66C2, Tseung Kwan O	Residential/ Commercial	45,000	40	2062	Foundation 2016
Long Ping Station (North), Yuen Long Town Lot No. 513, Yuen Long	Residential	49,000	60	2063	Foundation 2017
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning beyond 2015

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

	Type of Property	Available 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 City	Residential	20,000	100	2077	Completed	Existing
Xinhua Zhen, Huadu City, Guangdong	Mixed Use	Phase I: 19,000 Other phases: 755,000	99.99	2034 to 2068	Phase I: Completed Other phases: Planning	2016 and beyond
廣州市花都區新華街迎賓大道北地塊	Residential/ Commercial/ Hotel/Office	269,000	100	2039 to 2069	Partly completed & construction	2015 and beyond
The Palace Lot A&B, No. 68 Jianguo Xi Road, Xuhui District, Shanghai	Mixed Use	Phase I: 6,300 Other phases: 104,000	100	2065	Phase I: Completed Other phases: Planning	2015 and beyond
Upstream Park 上海市閔行區吳涇鎮385街坊	Residential/ Commercial	48,000	100	2048 to 2078	Completed	Existing
Grand Summit Plot Phase III of Yanjiazhai, Jingan District, Shanghai	Residential	100,000	100	2072	Superstructure	2014
Plot B3, B4 Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	69,000	100	2050 to 2080	Superstructure	2014
上海市閔北區北站街道43街坊10丘	Commercial	20,000	53.61	2056	Planning	2017
Lot 19-04, Puxing, Pudong District	Residential	31,000	100	2083	Planning	2016
Site 7-7, Unit E18, Weifang Village Street, Pudong District	Residential	14,200	100	2084	Planning	2017
Site G68, Maigao Qiao, Qixia District, Nanjing	Residential	142,800	100	2054 to 2084	Planning	2017
Roadside of Wan Long Road, Xihu Village, Shilong Town, Dongguan	Residential	202,000	99	2082	Planning	2016



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