

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

A Quality  
Property Developer  
優質地產發展商

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

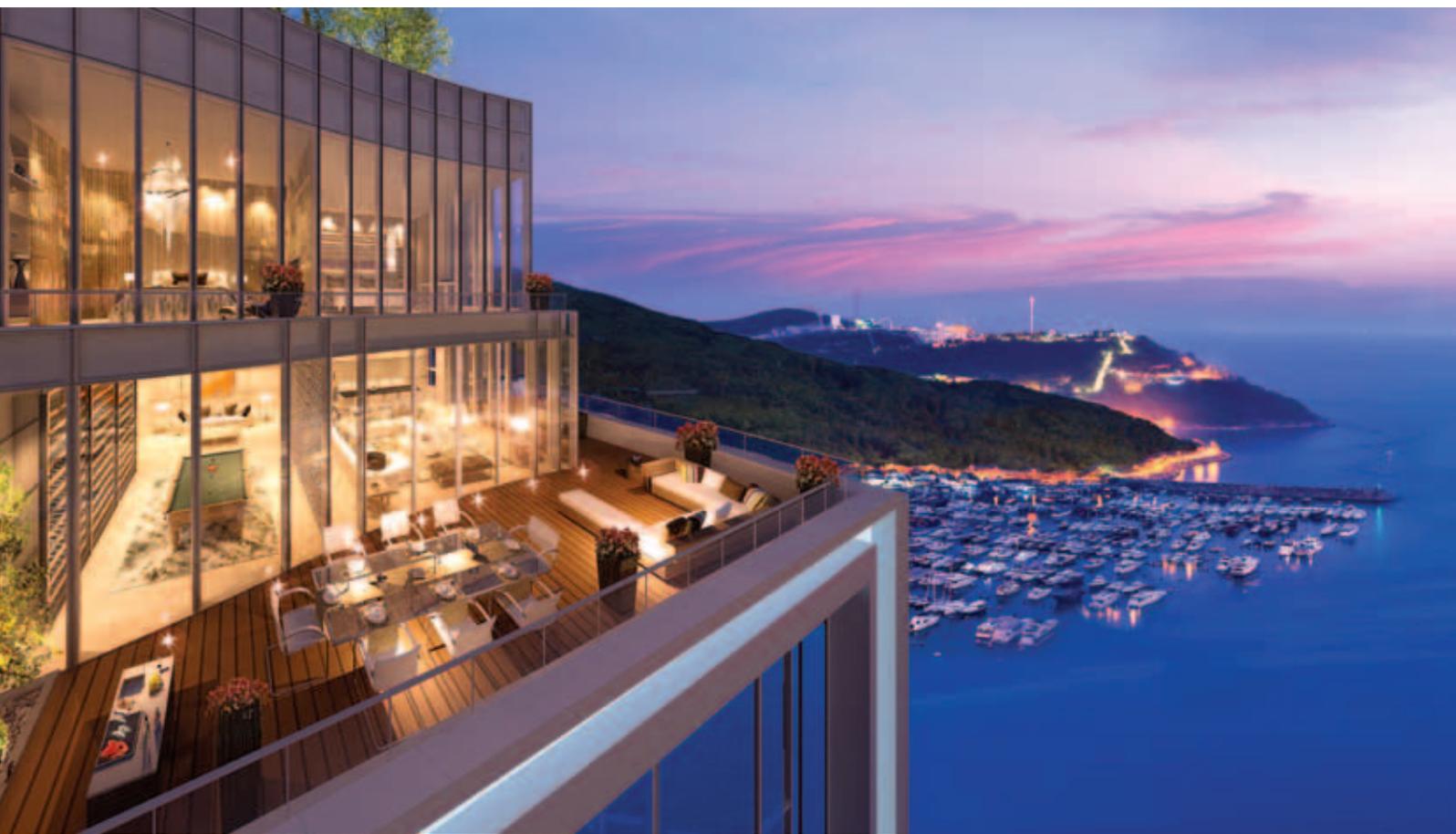
Stock code 股份代號 0173

# Pursuit of Excellence

啟綻豐碩 · 力行臻優

| Annual Report 2011 年報





## Corporate Profile 公司簡介

K. Wah International Holdings Limited ("KWIH"; stock code: 0173), listed in Hong Kong in 1987\*, is the property flagship of K. Wah Group. With a property portfolio encompassing premium residential developments, Grade-A office towers, hotels, serviced apartments and retail spaces, KWIH has a presence in Hong Kong, Shanghai, Guangzhou and Southeast Asia.

KWIH aims at establishing a position of large-scale integrated property developer and investor in the Greater China region. With a focus on an integrated approach for value creation, KWIH blends architectural design, quality, functionalities and top-notch building services in all its properties to redefine the standard of quality modern living. Furthermore, driven by a keen market sense and a versatile strategy, and backed by strong financial capability, KWIH has built up a prime land reserve in major cities of China, and thus a strong foothold for future growth.

KWIH has received several international accolades for its outstanding quality and service. Awarded Business Superbrands in the property development sector in 2006, KWIH was also the only winner in the Hong Kong Property Developer category of the High-Flyer Outstanding Enterprises consecutively in 2006 and 2007.

*\* Formerly K. Wah Stones (Holdings) Limited listed in 1987.*

嘉華國際集團有限公司（「嘉華國際」；股份代號：0173）於1987年\*在香港上市，是嘉華集團旗下之房地產業務旗艦，物業涵蓋精品住宅、甲級商廈、酒店、服務式公寓及商舖，分佈於香港、上海、廣州及東南亞。

嘉華國際銳意發展成為以大中華區為據點之大型綜合房地產發展商及投資者，其物業項目均以綜合規劃及創造價值為理念，揉合建築設計、質素、功能及頂尖設備於一身，為優質現代生活定下新標準。此外，嘉華國際憑其敏銳的市場觸覺、靈活進取的發展策略以及雄厚的財政實力，在中國主要城市擁有優質土地儲備，為未來發展奠下穩固基礎。

嘉華國際卓越的產品和服務質素，獲得國際性評級機構認同，除於2006年成為香港首家榮膺「BUSINESS SUPERBRANDS」的地產發展商，更連續於2006年及2007年獲選為「HIGH-FLYER傑出企業」。

*\* 前身嘉華石業（集團）有限公司於1987年上市。*



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## Our Mission 企業使命

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.

本公司秉承以客為本及追求卓越之精神，不斷透過研究、設計及創造價值，恪守不屈不撓、群策群力及具遠見之經營理念，為客戶提供優質產品及服務，並為股東帶來理想投資回報。

# Hall of Achievement 傑出成就

**Dr Che-woo Lui, Chairman of KWIH**  
嘉華國際主席呂志和博士

All Leaders – Lifetime Achievement Award 2011  
2011《領袖人物》- 終身成就大獎



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

BCI Asia Awards 2011 – Top Ten Developers  
BCI Asia Awards 2011 – 十大傑出地產發展公司



**KW** 嘉华(中国)投资有限公司  
K. WAH (CHINA) INVESTMENT CO., LTD.

One of the Most Respectful Corporations in Shanghai 2011  
2011上海市最值得尊敬企業獎

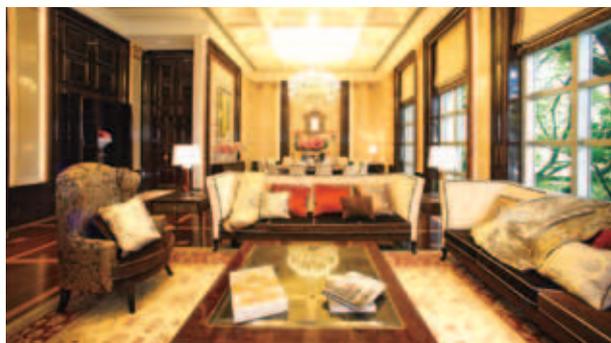
Property with the Best Investment Potential in Yangtze  
River Delta 2011  
2011長三角最具投資價值魅力樓盤

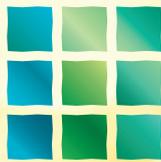
上海嘉兆房地产开发经营有限公司  
SHANGHAI JIA ZHAO REAL ESTATE DEVELOPMENT CO., LTD.

Gold Award in the Most Preferred Property Project in  
Shanghai 2011  
2011上海最受歡迎樓盤 – 人居價值金獎

*Chantilly*  
— 嘉 柏 薈 —  
港 島 · 司徒拔道

Hong Kong Economic Times – Star Classic Design Award  
– Clubhouse  
香港經濟日報「星級會所選舉」- 星級古典設計大獎





MARINELLA

深灣 9 號

Wen Wei Po – Green China Award 2011 – Outstanding Green Architecture

文匯報「綠色中國」2011環保成就獎 – 傑出綠色環保建築



THE PALACE

嘉御庭

Shanghai Professional Property Editor's Pick 2011 – New Landmark Luxury Residential Development

2011上海房地產專業媒體主編評選 – 新豪宅地標獎



Best Newly Opened Hotel 2011

2011金驛獎 – 年度最佳新開業酒店



Top Ten Business Hotel

十大商務會議酒店



# Financial Calendar

DATES	EVENTS
25 August 2011	Announcement of Interim Results for the six months ended 30 June 2011
4 November 2011	Payment of 2011 Interim Scrip Dividend (with cash option) of 2 HK cents per share
22 March 2012	Announcement of Annual Results for the year ended 31 December 2011
25 May 2012 to 30 May 2012 (both dates inclusive)	Closure of Registers of Members for ascertaining Shareholders' entitlement to attend and vote at the 2012 Annual General Meeting
30 May 2012	2012 Annual General Meeting
6 June 2012 to 8 June 2012 (both dates inclusive)	Closure of Registers of Members for ascertaining Shareholders' entitlement to the 2011 Final Dividend
8 June 2012	Record Date for 2011 Final Dividend
19 July 2012	Payment of 2011 Final Scrip Dividend (with cash option) of 8 HK cents per share

# Corporate Information

## CHAIRMAN & MANAGING DIRECTOR

Dr. Che-woo Lui, *GBS, 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 DIRECTORS

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

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

Mr. Wong Kwai Lam\*

## NOMINATION COMMITTEE

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA, (Chairman)*

Dr. William Yip Shue Lam\*, *LLD*

Mr. Wong Kwai Lam\*

\* *Independent Non-executive Directors*

## COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan, *LLM, FCIS, FCS*

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

Bank of China

Bank of Communications

Bank of East Asia

DBS Bank

Hang Seng Bank

Hongkong and Shanghai Banking Corporation

Industrial and Commercial Bank of China

China Minsheng Bank

## SOLICITORS

Baker & McKenzie

Mayer Brown JSM

Philip K.H. Wong, Kennedy Y.H. Wong & Co.

P.C. Woo & Co.

## 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 SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

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 DEPOSITARY

The Bank of New York Mellon

P. O. Box 358516

Pittsburgh, PA 15252-8516

USA

## WEBSITE ADDRESS

<http://www.kwih.com>

## SHARE LISTING

The Stock Exchange of Hong Kong Limited

## STOCK CODE

Hong Kong Stock Exchange : 173

Bloomberg : 173 HK

# Five Years Summary

## CONSOLIDATED PROFIT AND LOSS STATEMENT

	2007	2008	(Restated) 2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4,799,504	1,152,989	2,627,182	896,056	<b>3,196,361</b>
Profit/(loss) before tax	2,850,701	(406,998)	2,047,952	441,714	<b>1,825,726</b>
Taxation charge	(220,621)	(164,869)	(768,465)	(194,362)	<b>(543,289)</b>
Profit/(loss) from continuing operations	2,630,080	(571,867)	1,279,487	247,352	<b>1,282,437</b>
Profit/(loss) from discontinued operation	—	—	2,905	(6,621)	<b>—</b>
Non-controlling interests	(178,938)	(45,380)	(363,519)	(47,592)	<b>(38,923)</b>
Profit/(loss) attributable to equity holders of the Company	2,451,142	(617,247)	918,873	193,139	<b>1,243,514</b>
Earnings/(loss) per share (HK cents)	100.3	(25.0)	37.2	7.6	<b>48.3</b>
Dividend per share (HK cents)	30.5	2.0	11.0	2.0	<b>10.0</b>

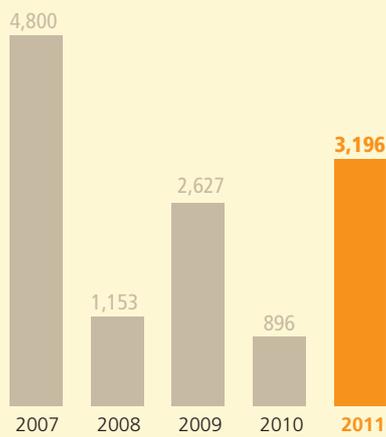
## CONSOLIDATED BALANCE SHEET

	2007	2008	(Restated) 2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,799,234	3,871,113	4,674,551	5,109,299	<b>5,218,133</b>
Associated companies and jointly controlled entities	700,916	2,996,863	3,131,260	3,801,951	<b>3,986,234</b>
Other non-current assets/investments	1,198,107	177,091	618,436	1,525,786	<b>2,417,304</b>
Net current assets	7,685,719	4,793,691	7,188,725	7,138,393	<b>8,484,564</b>
Employment of capital	13,383,976	11,838,758	15,612,972	17,575,429	<b>20,106,235</b>
Financed by:					
Share capital	245,869	247,038	247,038	255,082	<b>257,690</b>
Reserves	8,256,702	7,458,661	8,707,479	9,953,423	<b>12,491,475</b>
Shareholders' funds	8,502,571	7,705,699	8,954,517	10,208,505	<b>12,749,165</b>
Non-controlling interests	1,056,774	1,198,556	1,492,701	896,919	<b>996,486</b>
Long-term liabilities	3,297,252	2,325,615	4,427,579	5,661,799	<b>5,448,377</b>
Non-current liabilities	527,379	608,888	738,175	808,206	<b>912,207</b>
Capital employed	13,383,976	11,838,758	15,612,972	17,575,429	<b>20,106,235</b>
Net assets value per share (HK\$)	3.46	3.12	3.62	4.00	<b>4.95</b>

Note: The summary of 2007 and 2008 have not been restated following the adoption of certain revised Hong Kong Financial Reporting Standards in 2010.

## Revenue

(HK\$Million)



## Net Assets Value Per Share

(HK\$)



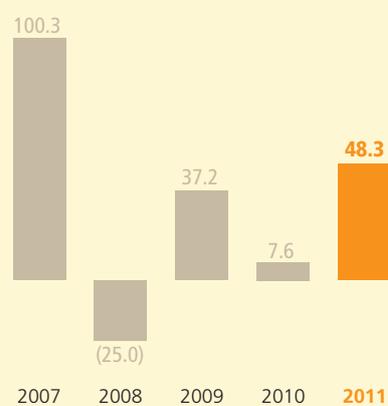
## Dividend and Net Profit/(Loss) Attributable to Equity Holders of the Company

(HK\$Million)



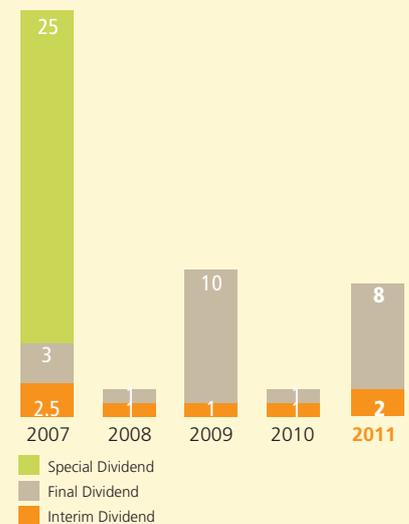
## Earnings/(Loss) Per Share

(HK Cents)



## Dividend Per Share

(HK Cents)



# Statement from the Chairman



## Dear Shareholders:

2011 was a remarkable year for KWIH who delivered encouraging sales and business results with its wealth of experience and expertise amid testing market conditions.

The premium luxury residential projects launched by the Group in Mainland China and Hong Kong during the year as planned drew keen market response, as the Group ended the year with a 260% increase in turnover to HK\$3.2 billion and a 540% growth in profit attributable to equity holders to HK\$1.2 billion. These results have given a strong boost to the Group's financial position, enabling it to meet the funding requirements of future development. Meanwhile, to ensure that the Group remains financially sound and solid, the Board has recommended a final dividend of HK\$0.08 per share.

## SUCCESS BUILT ON STRATEGICALLY TIMED MOVES

During the year under review, the property markets in Mainland China and Hong Kong were largely stable. Extra stamp duties and restrictions for luxury home mortgages introduced by the Hong Kong SAR Government towards the end of 2010 to curb property speculation, tightening measures implemented by the Central Government such as property purchase quotas, mortgage loan restrictions and taxation, and weaker market sentiments dampened by the Eurozone debt crisis combined to result in a slowdown in the growth of property prices in 2011.

Despite decreased transactions in the property market as a whole as compared to the previous year, KWIH accelerated the development of several high-end property developments in Hong Kong, Shanghai and Guangzhou and launched them at opportune timings to answer the pressing need for medium- to high-end properties, winning over buyers on the back of its quality and reputation.

The Group reported outperforming sales for its high-end residential projects built in joint venture with other well-known property developers in Hong Kong. These projects included Marinella on Island South, The Coronation in West Kowloon and Providence Bay at Pak Shek Kok, Tai Po. Riding on the positive market sentiments, the Group went on to launch Chantilly on Stubbs Road in Eastern Mid-Levels on Hong Kong Island. In Shanghai, over 80% of the units of The Legend (Shanghai Westwood III) have been sold, while satisfactory sales were also reported for The Palace, a prestigious development situated at a rare prime site in the heart of the city, booking strong revenues for the Group. In Huadu District of Guangzhou, over half of the units of Le Palais, a high-end residential development, were snatched up upon market launch. Crowne Plaza Guangzhou Huadu, our hotel development near the new Baiyun International Airport, has also been performing well since its opening in mid-2011.

## PRUDENT PROGRESS WITH AN EYE FOR EXCELLENCE

The Group will continue to market the special units of the aforesaid projects, as and when it sees fit under prevailing market conditions. We also plan to launch different types of new projects in Hong Kong, Shanghai and Guangzhou to ensure sustained business growth. In Hong Kong, construction work of Phase II of the Pak Shek Kok project in Tai Po was progressing in full gear. In Shanghai, we plan to launch the Grand Summit at Yanjiazhai in Jingan District and the Upstream Park, a high-end commercial and residential project in Minhang District. In Guangzhou, Huadu Mega Integrated Project Phase 1 has been officially named as J Metropolis and construction work was well on schedule. We expect to launch this project within the year, subject to the issue of a pre-sale permit and prevailing market conditions.

As at the end of 2011, our cash and bank balances amounted to over HK\$4.5 billion and our gearing ratio was maintained at a sound level of about 17%. With the ongoing launches and completions of numerous premium projects in Hong Kong and Mainland China in the current year and the next, we are anticipating stronger cash flow for business expansion. The total GFA of the Group's projects under development and planning is approximately 1.80 million square metres, which will suffice for its development in the coming years.

## DELIVERING VALUE THROUGH ASSET REPLENISHMENT

Leveraging our financial strengths, we intend to expedite the development of our premium projects while replenishing our land reserves to ensure ongoing strong growth in future, with a view to maximizing shareholder value. The Group will seek potential investment opportunities in Hong Kong, the Yangtze River Delta and the Pearl River Delta through vigorous planning in a prudent manner. Meanwhile, we will continue to build premium projects with innovative features and unique styles in fulfillment of our mission to deliver exquisite quality.

Looking ahead, the broader economic landscape is expected to remain largely stable, while Asia will continue to outperform other regions of the world in economic growth. We are fully optimistic about the economic outlook of Mainland China and Hong Kong, as we believe that the demand for quality

housing in these two markets will remain buoyant in the long run. Moreover, well-experienced players with a long history in the business will be better positioned to capture opportunities for property developers arising from the Hong Kong SAR Government's plan to increase land supply as a means for correcting imbalances in the market. We are confident that our seasoned management team will be able to seize every opportunity that presents itself in the future.

## INTEGRITY AND METICULOUS CORPORATE GOVERNANCE

Our commitment to shareholders is underscored by integrity in business conduct and corporate governance of stringent standards, which also represent important cornerstones of the Group's operations. The Board seeks to achieve the Group's strategic objectives by carrying out independent supervision, suggestion and advice on its business operation, and approving annual budgets prepared and submitted by the management. I am delighted that our Board members are leaders in their respective professions or social sectors. They spare no effort in ensuring proper stewardship of the Group's affairs.

During the year under review, the Board welcomed Mr Au Man Chu and Mr Wong Kwai Lam, who were appointed as Independent Non-executive Directors ("INED") on 25 August and 26 August 2011, respectively. Mr Michael Leung and Mr Robert George Nield resigned as NED and INED on 1 March and 23 September 2011, respectively. On behalf of the Group, I would like to express our heartfelt appreciation towards their insights and contributions over the years. On a sadder note, we mourn the passing away of Ms Claudia Cheung, Executive Director, on 7 October 2011. Her longstanding dedication and vigorous contributions to the Group will be remembered with gratitude.

On behalf of the Board, I would like to take this opportunity to thank our management team and staff who have showed immense dedication and commitment amid testing conditions and delivered strong results in concerted efforts. Long may this unity continue, as we strive for further laurels and success in the coming years.

**Dr Che-woo Lui**

*Chairman*

22 March 2012

# Management Discussion and Analysis

## REVIEW OF OPERATIONS

Turnover and profit attributable to equity holders for the year ended 31 December 2011 increased to HK\$3,196 million and HK\$1,244 million respectively, as compared to the last year amount of HK\$896 million and HK\$193 million respectively. The significant jump in profit was mainly attributed from the sales of the remaining units of the Great Hill and pre-sales of Phase III Shanghai Westwood recognised upon the completion during the year.

The Group pursues the spirit of excellence with outstanding quality and services in property development with strategically focus on Hong Kong and certain cities in Mainland China. The Group has further strengthened its execution capability in the development cycle and developing competitive premium products in its comparable neighbourhood. The Group shall continue to stay focused to look for opportunities to drive sustainable growth in both Hong Kong and Mainland China.

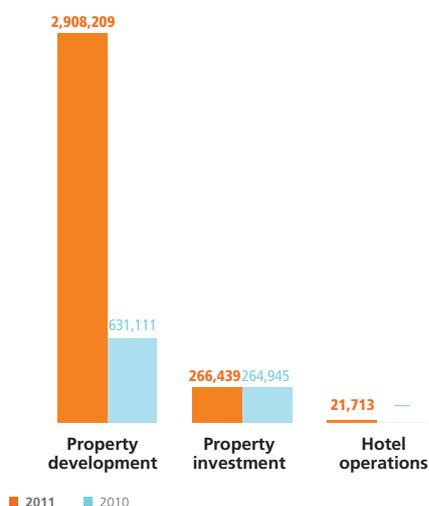
	Continuing operations						Discontinued operation HK\$'000
	Property development			Property investment	Others	Total	
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Year ended 31 December 2011</b>							
Revenue	1,150,310	1,728,591	29,308	266,439	21,713	3,196,361	—
Adjusted EBITDA	696,849	1,098,453	15,372	231,749	(189,778)	1,852,645	—
Other income and expenses/gains, net						(99,022)	—
Depreciation and amortisation						(25,836)	—
Operating profit						1,727,787	—
<b>Year ended 31 December 2010</b>							
Revenue	279,416	351,695	—	264,945	—	896,056	43,960
Adjusted EBITDA	153,666	168,031	(1,607)	226,805	(175,048)	371,847	(7,486)
Other income and expenses/gains, net						(34,178)	(103)
Depreciation and amortisation						(8,706)	(76)
Operating profit/(loss)						328,963	(7,665)

## Mainland China

The Group has established its key presence in Pearl River Delta and Yangtze River Delta regions in Mainland China. The property development projects are mainly located at prime areas in first-tier cities, such as Shanghai and Guangzhou.

### Revenue by Division

For the year ended 31 December 2011  
(HK\$'000)



## (A) Current Major Development Properties

### Shanghai

- (i) *Shanghai Westwood, No.701 Guangzhong Road, Da Ning International Community (100% owned)*

Following the completion and successful marketing of Phase II of this luxury project, Phase III, The Legend, was launched in late 2010 and 2011 and was well received by the buyers. Nearly 80% of the units have been pre-sold within a short period of time providing satisfactory cash inflows to the Group. Out of the five blocks of residential units (approximately 100,000 square metres), four blocks had been completed and handed over to the buyers in late 2011 and early 2012. The last block will be completed in mid/late 2012.

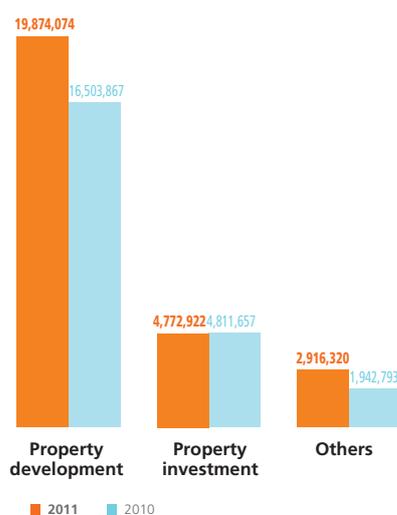
# Shanghai

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



## Employment of Total Assets

As at 31 December 2011  
(HK\$'000)



- (ii) *Lot A&B No.68 Jianguo Xi Road, Xuhui District (100% owned)*  
This unique development is located in the traditionally up-scale residential area in Shanghai. The GFA of this project is approximately 140,000 square metres and is intended to be developed into an integrated development with luxury

residential apartments and high-class commercial facilities. The Palace, launched for pre-sale in September 2011, had received positive comments in regard of its quality and location. Construction work is in good progress and is scheduled for completion in 2013/2014.

- (iii) *Phase III, Yanjiazhai, Jingan District (99% owned)*

The total GFA of this luxury residential project is approximately 100,000 square metres. It is located at Urumqi Road, Jingan District, close to the vibrant central business district of Nanjing West Road. The residential buildings of this project have been topped out and are ready to be put on the market for pre-sale.

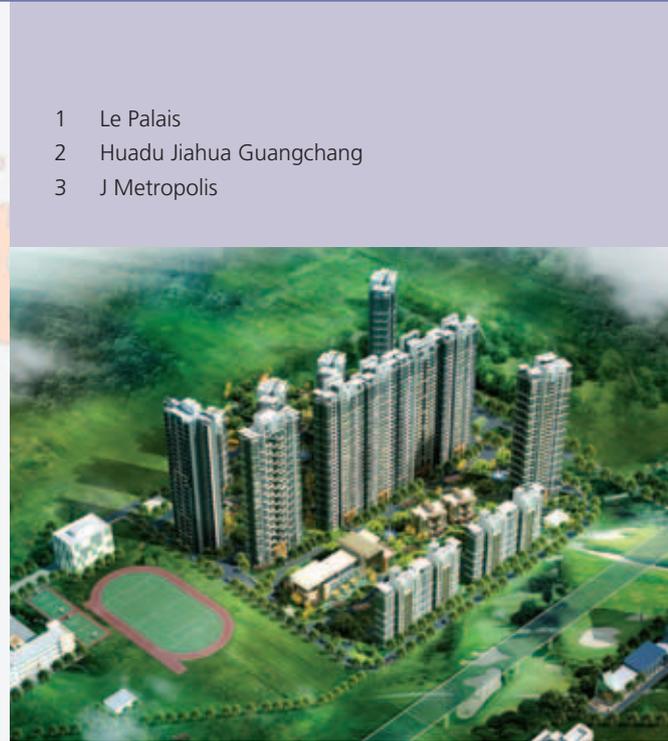
- (iv) *Minhang District Project (100% owned)*

With a total GFA of approximately 168,000 square metres, this project will be developed into an integrated residential and commercial complex. The construction work of Phase I is underway and its pre-sale is expected to be launched within this year with targeted completion in early 2013.

Management Discussion and Analysis



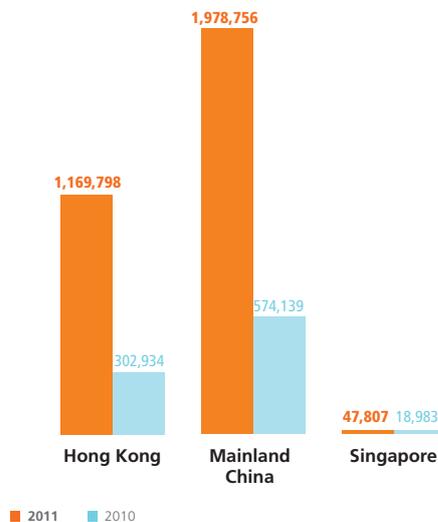
# Guangzhou



- 1 Le Palais
- 2 Huadu Jiahua Guangchang
- 3 J Metropolis

## Revenue by Geographical Spread

For the year ended 31 December 2011  
(HK\$'000)

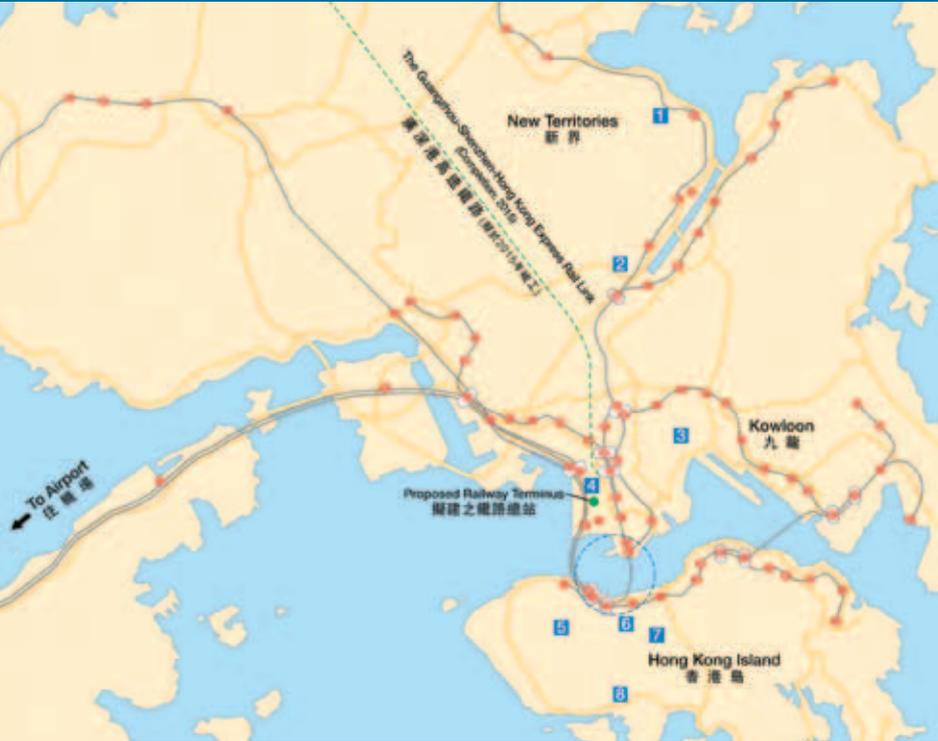


(v) *Qingpu District Project (100% owned)*  
 Located in the Zhujiajiao Town, Qingpu District, with a total GFA of approximately 70,000 square metres. This project is planned to be developed into low-rise residential buildings with shopping and commercial facilities. The construction work of this project has already commenced.

## Guangzhou

(vi) *Huadu Jiahua Guangchang, Yingbin Road, Huadu District (100% owned)*  
 This site is close to the New Baiyun International Airport with a total estimated GFA of approximately 269,000 square metres. The project plans for a composite development with hotel, offices and premium residential towers. The first phase of its development comprises of a hotel and an office tower. The hotel (known as Crowne Plaza Guangzhou Huadu) was opened on July 2011, and the office tower is to be completed in mid-2012. Second phase of residential development has commenced and is targeted to be completed in 2014.

# Hong Kong

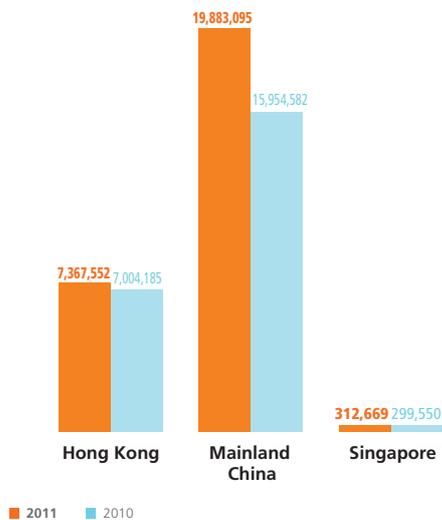


- 1 Providence Bay
- 2 The Great Hill
- 3 2 Grampian Road, Kowloon
- 4 The Coronation
- 5 30 Po Shan Road, Mid-Levels
- 6 J SENSES
- 7 Chantilly
- 8 Marinella



## Total Assets by Geographical Area

As at 31 December 2011  
(HK\$'000)



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

This project, located in the downtown area of Huadu, is a residential development with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. Its pre-sales was launched in 2011, and the project is targeted to be completed in 2012.

### (viii) *Xinhua Zhen, Huadu District (99.99% owned)*

Owing to planning changes by the government, the project's total floor area is estimated to be approximately 830,000 square metres and development will be undertaken by phases. The development of the first phase has commenced and plan to pre-sale in mid-2012.

## Management Discussion and Analysis

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

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

This prime investment property continues to maintain high occupancy throughout the year with satisfactory rentals.

### Hong Kong

Revenue for the financial year was mainly derived from the sale of residential units of the Great Hill and the rental of the commercial complex J SENSES which continues to contribute stable income to the Group. Construction of development projects is well underway in accordance with development schedules.

### (A) Current development properties

#### (i) *The Great Hill, Tung Lo Wan Hill Road, Shatin (100% owned)*

This completed property has 114 apartments and 8 detached houses. Nearly all of the units have been sold. The remaining apartments and houses will be disposed of at the best opportunity.

#### (ii) *Chantilly, No.6 Shiu Fai Terrace, Stubbs Road (100% owned)*

This exclusive low-rise residential project with total GFA of approximately 8,100 square metres has 24 luxury apartments, a club house and a swimming pool. The development of the project was completed.

#### (iii) *2 Grampian Road, Kowloon (100% owned)*

The Group plans to develop this project into a luxury residential development with a total expected GFA of approximately 6,100 square metres. Foundation work is in progress with targeted completion in 2013.

#### (iv) *Marinella, Aberdeen, Hong Kong (35% owned)*

This is a luxury residential development under a joint venture with other property developers. The Group leads and is the project manager of this development. Pre-sales was launched in October 2011 and over 70% residential units have been sold.

Total GFA is estimated to be approximately 69,300 square metres. Superstructure works are underway and the Group expects completion by 2012.

#### (v) *Providence Bay, Tai Po (15% owned)*

This is a luxury residential development under a joint venture with other property developers. Pre-sales was launched in November 2011 and approximately 35% residential units have been sold. Total GFA is estimated to be approximately 78,400 square metres. Superstructure works are underway and the Group expects completion by 2012.

#### (vi) *The Coronation, West Kowloon (15% owned)*

This is a luxury residential development under a joint venture with other property developers. Total GFA is estimated to be approximately 70,000 square metres, of which approximately 8,000 square metres will be allocated for retail and shops. Pre-sales was launched in December 2011 and over 90% residential units have been sold. Superstructure works are underway and the Group expects completion by 2012.

#### (vii) *Tai Po Town Lot No. 188, Tai Po (25% owned)*

This is a luxury residential development under a joint venture with other property developers. Total GFA is estimated to be approximately 83,600 square metres. Superstructure works are underway and the Group expects completion by 2012.

#### (viii) *Tai Po Town Lot No. 201, Tai Po (15% owned)*

This is a luxury residential development under a joint venture with another property developer. Total GFA is presently estimated to be approximately 67,000 square metres. Piling work has completed and the Group expects completion by 2014.

**(ix) No. 30 Po Shan Road, Mid-Levels, Hong Kong (50% owned)**

This is a luxury residential development under a joint venture with another property developer. Total GFA is estimated to be approximately 3,700 square metres. Design work has already started.

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

***J SENSES at J Residence, Johnston Road, Wan Chai (a joint development with the URA)***

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

**Major Properties in Singapore**

***San Centre, Chin Swee Road (100% owned)***

The 12-storey office building, in which the Group owns a total GFA of approximately 5,800 square metres, maintains a satisfactory occupancy rate and stable income.

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

The non-current investments represented the investment in GEG carried at fair market value. As at 31 December 2011, share price of GEG was HK\$14.22 per share compared to HK\$8.78 per share at 31 December 2010. The change in fair value of approximately HK\$884 million was recorded as an increase in reserve. The investment has significantly increased the net asset position of the Group.

**OUTLOOK**

Looking into 2012, uncertainties continue in the global economic environment in view of Eurozone debt crisis and the slow recovery of the US economy. Turmoil in the Middle East in the wake of political movements remains a concern.

It is expected that China will continue to seek to regulate and stabilize its economic development by austerity measures.

Property prices in China and Hong Kong will still be affected by such austerity measures and economic uncertainties in the future. However, demand for residential housing is expected to remain strong in the long term, as the desire to improve living standard shall remain strong.

Major projects that will be put on market in Hong Kong will include the Chantilly and the joint venture projects namely, The Coronation in West Kowloon and Providence Bay in Tai Po.

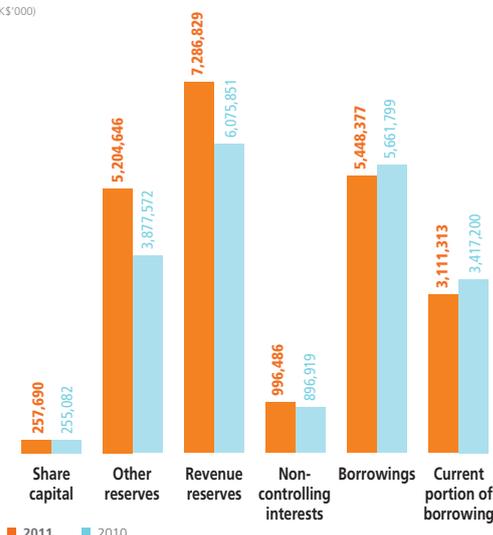
In China, major projects that will go on sale include Minhang, Zhujiajiao in Shanghai, the Xinhua Zhen project in Guangzhou, The Palace and the last block of the Legend.

The Group will strive to make further efforts in exercising a focused and selective approach to land acquisition in both Hong Kong and Mainland China that can deliver good shareholder values. The Group will strive to make further efforts to offer premium products that exceed customer expectations thus enhancing its brand and reputation.

## Management Discussion and Analysis

### Sources of Funding

As at 31 December 2011  
(HK\$'000)



## REVIEW OF FINANCE

### (1) Financial Position

The financial position of the Group remained strong. Total funds employed were increased to HK\$22 billion at 31 December 2011 (2010: HK\$20 billion). The number of the issued shares of the Company increased as a result of the exercise of share options and scrip dividend issued during the year.

### (2) 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 2011, total bank borrowings amounted to HK\$8,560 million and cash and bank balances and deposits stood at HK\$4,563 million. In addition, the Group had available committed undrawn facilities totaling HK\$1,190 million and HK\$1,345 million for working capital and project facility purposes respectively. The gearing ratio, defined as the ratio of total loans less cash and bank balances and deposits to total assets excluding cash and bank balances and deposits, stayed at a healthy level of 17% as of 31 December 2011.

Of the long-term bank borrowings, around 66% had maturities over a period of one year and above.

### (3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed 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 hedge against foreign exchange exposures. Interest rate swap contracts may be utilised when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the year, the Group has not engaged in the use of derivative products for risk management.

### (4) Charges on Group Assets

As of 31 December 2011, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$12,115 million (2010: HK\$10,621 million) to banks to secure the Group's borrowing facilities.

### (5) Guarantees

As of 31 December 2011, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, jointly controlled entities and associated companies amounting to HK\$8,304 million (2010: HK\$7,094 million), HK\$2,521 million (2010: HK\$2,521 million) and HK\$1,650 million (2010: HK\$1,650 million) respectively, of which HK\$6,134 million (2010: HK\$6,414 million), HK\$1,860 million (2010: HK\$1,622 million) and HK\$1,054 million (2010: HK\$1,054 million) have been utilised respectively. In addition, a subsidiary of the Company provided guarantees amounting to HK\$26 million (2010: nil) 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 2011, the Group, excluding its associated companies and jointly controlled entities, employs 457 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$235 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 organizations 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. Likewise in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

## TRAINING AND DEVELOPMENT

Human capital is the driving force of the Group, and continuous education is a key part in enhancing the core competences of the Group's work force. To this end, the Group provides full support to its employees in appropriate training and development programmes for work enhancement and personal effectiveness.

In 2011, the Group organized a suit of training and development programmes for its employees to enhance their knowledge and update their know-how. In addition, the Group also sponsors its employees to attend external job-related courses or workshops in Hong Kong and Mainland China organized by the accredited educational institutions and professional bodies.

# Corporate Citizenship

KWIH believes human capital is fundamental to its success and long term sustainability, and denotes a strong driving force in contributing a better community. Therefore, the Company puts forth its utmost effort in nurturing a team of high-calibre staff that shares common value and culture, while possesses strong competence and compatibility. The Company also fulfills its role as a corporate citizen by addressing the needs of its stakeholders made up of customers, investors and the public apart from its staff.

## PROMOTING STAFF WELLNESS AND TEAMWORK

The Company strives to provide a balanced and healthy working environment for its employees. Numerous health care and leisure activities ranging from health talks, baduanjin exercise class, business etiquette class (photo 1), movie appreciation, bowling day (photo 2) to bi-weekly fruit day (photo 3) were organized; staff gatherings such as annual dinner and Chinese New Year party were also held to bring the staff together in sharing the joy of festive occasions.



## FOSTERING A LEARNING CULTURE

The Company spares no effort in staff training through a holistic approach. During the year, a series of training and development programme was implemented in the headquarters and regional offices to unleash the full potential of staff and more importantly, to pass on the shared value and best practices to the new generation. Talks, workshops, internal exchange session (photos 4–5) and corporate seminar (photo 6) were organized to equip staff with all-rounded industry knowledge and facilitate cross-departmental communication.



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## GIVING BACK TO THE COMMUNITY

Adhering to the belief of building a better community in which it operates, KWIH has been actively working hand in hand with several non-government organizations in fulfilling its role as a corporate citizen. The initiatives included toy recycling drive by YMCA, cupcake DIY for elderly by St. James' Settlement (photo 7), Walk for Millions by the Community Chest (photo 9) and MTR Race Walking (photo 8). All these did not only engage staff in supporting the cause, but also in turn promoting team cohesion.



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## Corporate Citizenship

### COMMITTED TO DISTINGUISHED QUALITY

At KWIH, quality is of prime importance; every project is built in quest of exquisiteness and distinctiveness. The Company is committed to incorporating spectacular design, innovative ideas and superb quality into its premium projects. Marinella (photo 10), for instance, an upscale residential development in Hong Kong, epitomizes the Company's untiring passion in redefining the standards of modern living by a perfect blend of green elements, which has earned it the Outstanding Green Building Award by Wen Wei Po. Other premium projects have also garnered numerous international accolades, manifesting the strength of KWIH as a large-scale integrated property developer along with strong sales.



### DELIVERING SHAREHOLDER VALUE

The Company values timely and transparent communication with the investment community. In this regard, KWIH organized various events throughout the year to keep professional investors, financial analysts, fund managers, stock commentators and financial media up-to-date of the Company's key developments, financial position, business plans and strategies.

Company visits, site tours, roadshows, presentations and one-on-one meetings were organized to enable the investment community to stay abreast of the Company's status. To maintain better communication with the public, a corporate website where comprehensive information such as stock performance, news updates and corporate publication is available.



# Corporate Governance Report

As at 22 March 2012

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2011.

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 reviewed the "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" issued by the Stock Exchange in October 2011 and its impact to the Company. Relevant proposals and amendments to the Company have been approved and adopted by the Board in early 2012 and certain of which will be adopted in due course.

## 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. Che-woo Lui currently takes the roles of both the Chairman and the Managing Director of the Company. He leads the Board and heads the management on the day-to-day operations of the Group.

**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"). The biographical details of each Director who served during the year up to the date of this Report are set out on pages 26 to 29 of this annual report.

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 and overseeing the management's performance 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 perspective, constructively challenge and help develop proposals on strategy, 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.

During the year under review, Mr. Au Man Chu has been appointed as an INED and a member of the Audit Committee with effect from 25 August 2011. Mr. Wong Kwai Lam has been appointed as an INED and a member of the Remuneration Committee with effect from 26 August 2011. Mr. Michael Leung Man Kin resigned as a NED and a member of the Audit Committee with effect from 1 March 2011 and Professor Poon Chung Kwong has been appointed as a member of the Audit Committee with effect from 1 March 2011 in his stead. Mr. Robert George Nield resigned as an INED, a member of the Audit Committee and a member of the Remuneration Committee with effect from 23 September 2011. Ms. Claudia Cheung Man Wan (ED) passed away on 7 October 2011.

**Board Practices** In 2011, the Board held 5 Board meetings at approximately quarterly intervals, the dates of which were 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 review the business progress against budget. Matters requiring Board consents were given by vote at the Board meeting where Board members acted collectively as a unit. 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.

## Corporate Governance Report

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 of 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.

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") and the remuneration committee ("Remuneration 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 code provision A.1.8 of Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("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 meetings 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 and the Remuneration Committee. External auditor (being 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 to all Board members. These minutes recorded matters considered by the Board and views expressed by the Directors. Draft and final versions of these minutes are sent to all Directors for their comments and records respectively, in both cases, within a reasonable time after each meeting.

**Directors' attendance in Board and other meetings in 2011 is as follows:**

Name of Director	Meetings attended/Eligible to attend			
	Board Meeting (5)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Annual General Meeting (1)
<b>Executive Directors</b>				
Che-woo Lui (Chairman & Managing Director) <sup>1</sup>	3/5	N/A	1/1	1/1
Francis Lui Yiu Tung <sup>2</sup>	0/5	N/A	N/A	0/1
Paddy Tang Lui Wai Yu <sup>3</sup>	4/5	N/A	N/A	1/1
Alexander Lui Yiu Wah <sup>4</sup>	4/5	N/A	N/A	1/1
Claudia Cheung Man Wan <sup>5</sup>	2/4	N/A	N/A	0/1
<b>Non-executive Director</b>				
Michael Leung Man Kin <sup>6</sup>	N/A	N/A	N/A	N/A
Moses Cheng Mo Chi	2/5	N/A	N/A	0/1
<b>Independent Non-executive Directors</b>				
Robin Chan Yau Hing	4/5	N/A	N/A	1/1
Robert George Nield <sup>7</sup>	3/4	2/2	1/1	1/1
William Yip Shue Lam	5/5	2/2	1/1	0/1
Poon Chung Kwong <sup>8</sup>	5/5	2/2	N/A	1/1
Au Man Chu <sup>9</sup>	2/2	N/A	N/A	N/A
Wong Kwai Lam <sup>10</sup>	1/1	N/A	N/A	N/A
<b>Total</b>	<b>35/51</b>	<b>6/6</b>	<b>3/3</b>	<b>6/10</b>
<b>Average attendance rate</b>	<b>69%</b>	<b>100%</b>	<b>100%</b>	<b>60%</b>

1. Dr. Che-woo Lui 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. Che-woo Lui, 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. Che-woo Lui, 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. Che-woo Lui, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.
5. Ms. Claudia Cheung Man Wan passed away on 7 October 2011.
6. Mr. Michael Leung Man Kin resigned as a NED and a member of the Audit Committee on 1 March 2011.
7. Mr. Robert George Nield resigned as an INED, a member of the Audit Committee and a member of the Remuneration Committee on 23 September 2011.
8. Professor Poon Chung Kwong was appointed as a member of the Audit Committee on 1 March 2011.
9. Mr. Au Man Chu was appointed as an INED and a member of the Audit Committee on 25 August 2011.
10. Mr. Wong Kwai Lam was appointed as an INED and a member of the Remuneration Committee on 26 August 2011.

## Corporate Governance Report

**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 Bye-law 109(A) of 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 2012 annual general meeting ("2012 AGM") of the Company, Ms. Paddy Tang Lui Wai Yu (ED), Mr. Alexander Lui Yiu Wah (ED) and Dr. William Yip Shue Lam (INED) will retire by rotation and, being eligible, will offer themselves for re-election.

In addition, according to Bye-law 100 of the Bye-laws of the Company, Mr. Au Man Chu and Mr. Wong Kwai Lam being Directors appointed by the Board during the year, will hold office until the 2012 AGM, and being eligible, will offer themselves for 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 despatching to Shareholders.

**Nomination Committee** The Board has established a nomination committee ("Nomination Committee") in March 2012 with specific written terms of reference which delineates its authorities and duties in compliance with the new code provision ("CG Code") A.5.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The Nomination Committee comprises 3 members of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. Che-woo Lui, being the Chairman of the Board of the Company. 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 circulating to members for their comments and records respectively after the relevant meetings.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations to the Board on the appointment of Directors, conducting assessment of the independence of each INED and the management of Board succession. In order to facilitate its functions, a

nomination policy has been adopted by the Board and to be performed by the Nomination Committee for the nomination of procedures and the process and criteria to select and recommend candidates for directorship of the Company. The written terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company.

**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") 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 2011 or for the period from the date of appointment to the end of the year. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by certain 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.

**Confirmation of Independence** Dr. Robin Chan Yau Hing (INED) has served on the Board for more than 9 years; and in that respect only, his further appointment should be subject to a separate resolution to be approved by the Shareholders in accordance with the CG Code A.4.3. The papers to the Shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.

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.

## DELEGATION BY THE 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 its members charged with specific operation tasks under the leadership of the Chairman and Managing Director.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

**Remuneration Committee** The terms of reference of the Remuneration Committee had been revised and the composition of the Remuneration Committee had been changed in accordance with the Rules 3.25 to 3.27 of the Listing Rules and CG Codes B.1.1 to B.1.4 of Appendix 14 of the Listing Rules. The Remuneration Committee currently comprises 3 members identified in the table on page 21 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam). Dr. Che-woo Lui ceased to act as the chairman of the Remuneration Committee but remains as a member as of the Remuneration Committee. Dr. William Yip Shue Lam (INED) had been appointed as the chairman of the Remuneration Committee in his stead with effect from 22 March 2012. 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 after the relevant meetings. The revised written terms of reference is available on the websites of the Stock Exchange and the Company.

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

- on 18 January 2011, reviewed and approved the 2010 year-end bonus paid to the EDs;
- on 23 March 2011, reviewed the level of Directors’ fees for 2010 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2011;
- on 17 January 2012, (i) reviewed and approved the 2011 year-ended bonus paid to EDs; (ii) considered and endorsed the Executive Board’s Share Option Scheme 15th Offer Proposal on granting options to (among others) certain Directors; and
- on 14 March 2012, reviewed and approved the revised the terms of reference, reviewed the level of Directors’ fees for 2011 as well as remuneration packages of EDs (who also constituted senior management of the Company) for 2012.

The Remuneration Committee’s proposals on the EDs’ remuneration packages and the Directors’ fees for 2011 have been endorsed by the Board, and the proposed Directors’ fees will be recommended for Shareholders’ approval at the 2012 AGM.

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

Details of Directors’ Remuneration, chief executive (other than directors) and Five Highest Pay Individuals of the Group for the year ended 31 December 2011 are set out in notes 12 and 13 to the 2011 Financial Statements respectively.

## 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

## Corporate Governance Report

external auditor has a primary responsibility for auditing and reporting on the financial statements and the Report of the Independent Auditor to the Shareholders is set out on page 39 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.

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 on 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 2 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. Chairman of the Audit Committee has open access to the head of the internal audit function.

In compliance with the code provision C.2.2 of Appendix 14 of the Listing Rules issued by the Stock Exchange, internal audit department had assessed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The result of assessment is satisfactory.

During the year 2011 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.

**Audit Committee** The Audit Committee is accountable to the Board and assists the Board in ensuring an effective system for meeting its external financial reporting obligations and internal control and compliance.

The Audit Committee comprises 3 INEDs, identified in the table on page 21. 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 circulating to the members for their comment and records respectively soon 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 2011, the Audit Committee met twice in March 2011 to review the Group's 2010 annual results and financial statements and in August 2011 to review the Group's 2011 interim results and financial statements. At its meeting on 14 March 2012, the Audit Committee reviewed the Group's annual results and financial statements for 2011 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.

Since there are some amendments on CG Code C.3.3 and C.3.7 has been upgraded as CG Code, the Company has revised its written terms of reference which were approved by the Board. The revised written terms of reference of the Audit Committee is available on the websites of the Stock Exchange and the Company.

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 2012 AGM. An analysis of the fees for 2011 paid to Auditors appears in note 10 to the 2011 Financial Statements.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes these materials, which contain extensive information about the Group's activities, timely available for access by Shareholders on both the Stock Exchange's and the Company's websites.

The Company has a member of its senior management specifically charged with investors' relationship 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 regular dialogue with institutional investors and financial analysts. In between times, the Company organizes site visits and meetings for analysts to provide them with an in-depth understanding 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. All the resolutions proposed at the 2011 Annual General Meeting ("2011 AGM") were passed by way of poll in compliance with the rules 13.39(4) of the Listing Rules. The Chairman of the 2011 AGM had at the meeting ensured that an explanation was provided of the detailed procedures for conducting a poll. The Company's branch share registrars in Hong Kong had acted as the scrutineer for the vote-taking at the 2011 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 Stock Exchange and the Company respectively. The Company had sent the notice of 2011 AGM to shareholders more than 20 clear business days before the 2011 AGM. The Chairman of the 2012 AGM (and chairman of any other shareholders' meeting) will ensure that any vote of Shareholders at the 2012 AGM (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

## COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

The Board and management of the Company are committed to principles of good corporate governance 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.

**Code Provision A.2.1** During the year ended 31 December 2011, the Company had complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules, except that there was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by Dr. Che-woo Lui.

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. The Board will review the management structure regularly to ensure it continues to meet these objectives and is in line with industry practices.

**Code Provision A.4.2** Throughout the year under review, the Company had complied with the code provisions in the CG Code, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Bye-Laws of the Company and the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

## Biographical Information of Directors

**Dr. Che-woo Lui, GBS, MBE, JP, LLD, DSSc, DBA**, aged 82, 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. Further, 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 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 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 56, 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 Shanghai 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. Mr. Lui is the son of Dr. Che-woo Lui, 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 58, 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 was appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority on 17 March 2011. 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 appointed as 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. Che-woo Lui and the elder sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.

**Mr. Alexander Lui Yiu Wah**, aged 49, 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. Alexander 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. He was a committee member of Guangzhou Committee of the 11th Chinese People's Political Consultative Conference. He has been again elected as a committee member of Guangzhou Committee of the 12th Chinese People's Political Consultative Conference in 2011. He was also elected as a committee member of Jiangman City Xinhui District Committee of the 13th Chinese People's Political Consultative Conference in 2006. Mr. Alexander Lui is a member of Estate Agents Authority (EAA) and also the vice president of The Hong Kong Real Estate Association Limited. He has been a member of the board of directors of The Real Estate Developers Association of Hong Kong since 1999. Mr. Alexander 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 a member of The Appeal Panel on Housing, Hong Kong during the period from 1 July 2002 to 31 March 2008. Mr. Alexander Lui is the son of Dr. Che-woo Lui, the younger brother of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

**Dr. Moses Cheng Mo Chi**, *GBS, OBE, JP*, (non-executive Director) aged 62, has been a non-executive Director since August 2009. Dr. Cheng is a practicing 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Cheng is also 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, Hong Kong Exchanges and Clearing Limited, Liu Chong Hing Investment Limited and Towngas China Company Limited, all being public listed companies on the Main Board of the Stock Exchange. He is also a non-executive director in City Telecom (H.K.) Limited, Guangdong Investment Limited, Kader Holdings Company Limited and Tian An China Investments Company Limited, all being public listed companies on the Main Board of the Stock Exchange. He is also an independent non-executive director of ARA Asset Management Limited which is a listed company in Singapore. Dr. Cheng has retired as an independent non-executive director of China COSCO Holdings Company Limited, a public listed company on the Main Board of the Stock Exchange, with effect from 17 May 2011. He has also resigned as an independent non-executive director of ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) on 1 September 2010 which is the manager of Fortune Real Estate Investment Trust, both the company and the trust are listed in Singapore. His other directorship in public listed companies in Hong Kong in the last three years includes Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

**Dr. Robin Chan Yau Hing**, *GBS, LLD, JP*, (independent non-executive Director) aged 79, has been a Director since June 1989 and has become an independent non-executive Director since 1998. Dr. Chan holds different positions in public listed companies on the Main Board of the Stock Exchange, including the Chairman and an executive director of Asia Financial Holdings Limited and an independent non-executive director of both Chong Hing Bank Limited and Keck Seng Investments (Hong Kong) Limited. 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 Ex-officio Life Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also the Founding

## Biographical Information of Directors

Chairman and President of the Hong Kong Federation of Overseas Chinese Associations Limited, the 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. 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.

**Dr. William Yip Shue Lam, LLD**, (independent non-executive Director) aged 74, 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, a company listed on the Australian Stock Exchange and engaged in real estate development and tourist attraction business. 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 is also the Chairman of Cantravel Limited, Guangzhou. Dr. Yip has been active in public services and is presently a Standing Committee Member of The Chinese General Chamber of Commerce and the President of Concordia University Hong Kong Foundation Limited. He is also serving on the Board of Governors of The Canadian Chamber of Commerce in Hong Kong. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

**Professor Poon Chung Kwong, GBS, PhD, DSc, JP**, (independent non-executive Director) aged 72, 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 graduated from The University of Hong Kong with the degrees of Bachelor of Science (General) and Bachelor of Science (Special), both with first class honours. He obtained the degree of Doctor of Philosophy and was awarded the degree of Doctor of Science respectively by the University of London in 1967 and 1979. He is a Fellow of the University College of the University of London and Foreign Member of the Russian Academy of Engineering. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of both Hopewell Highway Infrastructure Limited and The Hong Kong and China Gas Company Limited, all of which are public listed companies on the Main Board of the Stock Exchange. Save as disclosed herein, he has no previous directorships in other public listed company in the last 3 years. Professor Poon was honoured as one of the "Ten Outstanding Young Persons in Hong Kong in 1979" and was appointed a Non-official Justice of the Peace (JP) in 1989. 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 has been a member of the National Committee of the Chinese People's Political Consultative Conference since 1998.

**Mr. Au Man Chu**, (independent non-executive Director) aged 61, 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. He 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. Mr. Au was appointed as an independent non-executive director and a member of the audit committee of Giordano International Limited (a public listed company on the Main Board of the Stock Exchange) since 11 December 2000 and retired on 14 May 2008. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

**Mr. Wong Kwai Lam**, (independent non-executive Director) aged 62, 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) Ltd. ("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) Ltd. and a director and the head of primary market in Standard Chartered Asia Limited. Mr. Wong is currently the chairman of IncitAdv Consultants Ltd.

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 as well as related-party transaction control committee of China Merchants Bank Co., Ltd. (a public listed company on the Main Board of the 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 Stock Exchange). 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 public listed companies in the last 3 years.

# 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 2011 ("2011 Financial Statements").

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Our principal subsidiaries, jointly controlled entities 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 2011 Financial Statements.

## RESULTS AND APPROPRIATIONS

The 2011 Financial Statements on pages 40 to 105 of this annual report set out the results of the Group for the year ended 31 December 2011.

An interim scrip dividend (with cash option) of HK\$0.02 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\$0.08 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.1 (2010: HK\$0.02 per Share). Details of dividends are set out in note 17 to the 2011 Financial Statements.

## SHARE CAPITAL

Note 30 to the 2011 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 32 to the 2011 Financial Statements.

## DONATIONS

During the year, the Group made charitable donations amounting to HK\$11,389,000 (2010: HK\$16,022,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the 2011 Financial Statements.

## SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2011 for investment and development purposes are set out on page 106 of this annual report.

## DIRECTORS

The Directors who served during the year and up to the date of this Report of Directors were Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, Ms. Claudia Cheung Man Wan (passed away on 7 October 2011), Mr. Michael Leung Man Kin (resigned on 1 March 2011), Dr. Moses Cheng Mo Chi, Dr. Robin Chan Yau Hing, Mr. Robert George Nield (resigned on 23 September 2011), Dr. William Yip Shue Lam, Professor Poon Chung Kwong, Mr. Au Man Chu (appointed on 25 August 2011) and Mr. Wong Kwai Lam (appointed on 26 August 2011).

Biographical details of the current Directors are set out on pages 26 to 29 of this annual report.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah and Dr. William Yip Shue Lam will retire by rotation at the forthcoming 2012 annual general meeting of the Company ("2012 AGM") and being eligible, will offer themselves for re-election.

In accordance with Bye-law 100 of the Bye-laws of the Company, Mr. Au Man Chu and Mr. Wong Kwai Lam will hold office until the 2012 AGM, and being eligible, will offer themselves for re-election.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of Shareholders at the 2012 AGM, the following fees in respect of year ended 31 December 2011 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	170,000	140,000
Audit Committee	130,000	110,000
Remuneration Committee	60,000	50,000

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Report of 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 2011 or at any time during the year ended on that date.

### DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2011, 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 ("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 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 Stock Exchange, were as follows:

#### (A) Ordinary Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Che-woo Lui	13,050,788	7,649,647 <sup>(1)</sup>	3,263,150 <sup>(2)</sup>	1,532,793,048 <sup>(3)</sup>	1,556,756,633	60.41
Francis Lui Yiu Tung	4,538,035	—	—	1,532,793,048 <sup>(3)</sup>	1,537,331,083	59.66
Paddy Tang Lui Wai Yu	13,626,458	—	—	1,532,793,048 <sup>(3)</sup>	1,546,419,506	60.01
Alexander Lui Yiu Wah	5,979,537	—	3,757,589 <sup>(4)</sup>	1,532,793,048 <sup>(3)</sup>	1,542,530,174	59.86
Moses Cheng Mo Chi	—	—	—	—	—	0.00
Robin Chan Yau Hing	1,466,158	—	—	—	1,466,158	0.06
William Yip Shue Lam	—	—	—	—	—	0.00
Poon Chung Kwong	—	—	—	—	—	0.00
Au Man Chu	—	—	—	—	—	0.00
Wong Kwai Lam	200,000	—	—	—	200,000	0.01

## Report of the Directors

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

*Notes:*

- (1) Dr. Che-woo Lui is deemed to be interested in 7,649,647 Shares through the interests of his spouse.
- (2) Such Shares are held by a company which is beneficially owned and controlled by Dr. Che-woo Lui.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Che-woo Lui as founder. Dr. Che-woo Lui, 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.

### (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. Che-woo Lui, 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, jointly controlled entity and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 31 December 2011, 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 2011, 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 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	59.48
CWL Assets (PTC) Limited	1,532,793,048	59.48
Super Focus Company Limited	1,144,900,574	44.43
Star II Limited	204,085,618	7.92
Favor Right Investments Limited	146,175,971	5.67
Premium Capital Profits Limited	142,776,400	5.54

*Note:*

HSBC International Trustee Limited is the trustee of a discretionary trust established by Dr. Che-woo Lui as the founder which was interested in 1,532,793,048 Shares. Such Shares are the aggregation of (i) 146,175,971 Shares held by Favor Right Investments Limited, (ii) 37,630,885 Shares held by Best Chance Investments Limited, (iii) 1,144,900,574 Shares held by Super Focus Company Limited, (iv) 142,776,400 Shares held by Premium Capital Profits Limited, and (v) 61,309,218 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 1,532,793,048 Shares among Dr. Che-woo Lui, 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, 1,144,900,574 Shares were interested by Super Focus Company Limited, 37,630,885 Shares were interested

by Best Chance Investments Limited, 146,175,971 Shares were interested by Favor Right Investments Limited, 142,776,400 Shares were interested between Premium Capital Profits Limited and Star II Limited and 61,309,218 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2011 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

A new share option scheme of the Company ("Share Option Scheme") in replacement of the existing share option scheme was approved and adopted by the Shareholders of the Company at its annual general meeting held on 20 June 2011. A summary of the Share Option Scheme 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.

## Report of the Directors

As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 237,931,221 Shares, which represented approximately 9.23% 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 Stock Exchange's daily quotation sheet on the date of grant;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

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

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

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

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

Particulars of the movement of the options held by each of the Directors, and the employees of the Company and its affiliates in aggregate under the Share Option Scheme during the year ended 31 December 2011, were as follows:

Holders	Date of grant	Number of options				Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2011	Exercised during the year	Lapsed during the year	Held at 31 December 2011		
Che-woo Lui	21 Oct 2005	1,350,000	—	1,350,000	—	1.906	22 Oct 2006–21 Oct 2011
	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	0.938	3 Mar 2010–2 Mar 2014
Francis Lui Yiu Tung	21 Oct 2005	1,340,000	—	1,340,000	—	1.906	22 Oct 2006–21 Oct 2011
Paddy Tang Lui Wai Yu	21 Oct 2005	930,000	930,000 <sup>(a)</sup>	—	—	1.906	22 Oct 2006–21 Oct 2011
	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	0.938	3 Mar 2010–2 Mar 2014
Alexander Lui Yiu Wah	21 Oct 2005	460,000	—	460,000	—	1.906	22 Oct 2006–21 Oct 2011
	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	0.938	3 Mar 2010–2 Mar 2014
Moses Cheng Mo Chi	—	—	—	—	—	—	—
Robin Chan Yau Hing	21 Oct 2005	500,000	500,000 <sup>(b)</sup>	—	—	1.906	22 Oct 2006–21 Oct 2011
	27 Nov 2007	500,000	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
William Yip Shue Lam	—	—	—	—	—	—	—
Poon Chung Kwong	—	—	—	—	—	—	—
Au Man Chu	—	—	—	—	—	—	—
Wong Kwai Lam	—	—	—	—	—	—	—
Employees (in aggregate)	21 Oct 2005	455,000	430,000 <sup>(c)</sup>	25,000	—	1.906	22 Oct 2006–21 Oct 2011
	27 Nov 2007	5,518,000	—	554,000	4,964,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	1,657,000	—	221,000	1,436,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	1,216,150	527,400 <sup>(d)</sup>	45,000	643,750	0.938	3 Mar 2010–2 Mar 2014
Others	27 Nov 2007	1,822,000 <sup>(e)</sup>	—	1,500,000	322,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	400,000 <sup>(f)</sup>	—	—	400,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	1,270,000 <sup>(g)</sup>	—	—	1,270,000	0.938	3 Mar 2010–2 Mar 2014

## Report of the Directors

### Notes:

- (a) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$2.710.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.080.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$2.949.
- (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK\$3.277.
- (e) 500,000 outstanding share options each held respectively by Dr. The Hon. Leo Lee Tung Hai, Mr. Michael Leung Man Kin and Mr. Robert George Nield under "Director" were re-classified to "Others" following the passing away of Dr. The Hon. Leo Lee Tung Hai (independent non-executive Director of the Company) on 8 June 2010 and the resignation of Mr. Michael Leung Man Kin and Mr. Robert George Nield respectively as a non-executive Director of the Company on 1 March 2011 and as an independent non-executive Director of the Company on 23 September 2011. Also, 322,000 outstanding share options held by Ms. Claudia Cheung Man Wan under "Director" were re-classified as "Others" following her demise on 7 October 2011.
- (f) 400,000 outstanding share options held by Ms. Claudia Cheung Man Wan under "Director" were re-classified as "Others" following her demise on 7 October 2011.
- (g) 1,270,000 outstanding share options held by Ms. Claudia Cheung Man Wan under "Director" were re-classified as "Others" following her demise on 7 October 2011.

No options were granted or cancelled during the year.

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

Except for the Share Option Scheme, at no time during the year was the Company or 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.

## CONNECTED TRANSACTION

On 6 May 2011, Grand Spark Limited (an indirect wholly-owned subsidiary of the Company) as the vendor entered into the 3 Preliminary Agreements respectively with each of Ocean Peak International Limited, Creative Champion Limited and Golden Class Investments Limited (collectively "Purchasers") in respect of the sale of 3 residential units of Chantilly ("Property Units") to the Purchasers at an aggregate purchase prices of HK\$255,990,000.00 which were completed on 11 July 2011 ("Transactions").

The sale of the Property Units constituted a connected transaction since each of the Purchasers was a company controlled and/or beneficially owned by the respective executive Directors of the Company and was therefore an associate of the connected persons of the Company under Rule 14A.11 of the Listing Rules. As the aggregate purchase price of the Transactions exceeded 1% but were less than 5% of certain applicable percentage ratios, the Transactions were only subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Details of the Transactions were included in the announcements made by the Company dated 6 May 2011 and 11 July 2011.

## 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 ("GEG")) 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 (“Board”) (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 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. Che-woo Lui, 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, are deemed to be interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies (“Competing Business”) may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm’s length from, the Competing Business, given that the Company has a strong and independent Board with 6 out of 10 Directors being non-executive/independent non-executive Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group’s interests are adequately safeguarded.

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## Report of the Directors

### DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2011, 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	524,583	203,562
Current assets	31,685,753	7,512,773
Current liabilities	(12,326,910)	(3,143,467)
	19,883,426	4,572,868
Share Capital	843,497	318,225
Reserves	871,526	432,420
Amounts due to shareholders	15,125,910	3,235,589
Non-current liabilities	3,042,493	586,634
	19,883,426	4,572,868

### 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 2011 Financial Statements and adjusted as appropriate, is shown on pages 4 to 5 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011:

- (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	21%
Five largest suppliers	40%

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 2011 Financial Statements have been audited by Messrs. PricewaterhouseCoopers, who will retire and, being eligible, offer itself for re-appointment at the 2012 AGM.

On behalf of the Board

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

Hong Kong, 22 March 2012

# Report of the Independent Auditor



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 40 to 105, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 judgement, 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 2011, 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, 22 March 2012

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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 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>			
Revenue	8	<b>3,196,361</b>	896,056
Cost of sales		<b>(1,026,718)</b>	(244,548)
Gross profit		<b>2,169,643</b>	651,508
Other operating income		<b>105,466</b>	49,742
Other net gains		<b>175,688</b>	20,370
Other operating expenses		<b>(215,140)</b>	(104,290)
Administrative expenses		<b>(342,834)</b>	(288,367)
Change in fair value of investment properties		<b>21,512</b>	90,521
Finance costs	9	<b>(38,384)</b>	(19,064)
Share of (losses)/profits of jointly controlled entities		<b>(38,897)</b>	41,349
Share of losses of associated companies		<b>(11,328)</b>	(55)
Profit before taxation	10	<b>1,825,726</b>	441,714
Taxation charge	14	<b>(543,289)</b>	(194,362)
Profit from continuing operations		<b>1,282,437</b>	247,352
<b>Discontinued operation</b>			
Loss from discontinued operation	7,10	—	(6,621)
Profit for the year		<b>1,282,437</b>	240,731
Attributable to:			
Equity holders of the Company		<b>1,243,514</b>	193,139
Non-controlling interests		<b>38,923</b>	47,592
		<b>1,282,437</b>	240,731
		<b>HK cents</b>	HK cents
Earnings per share from continuing operations	16		
Basic		<b>48.27</b>	7.76
Diluted		<b>48.10</b>	7.72
Loss per share from discontinued operation			
Basic		—	(0.18)
Diluted		—	(0.18)
Earnings per share from operations			
Basic		<b>48.27</b>	7.58
Diluted		<b>48.10</b>	7.54
		<b>HK\$'000</b>	HK\$'000
Dividends	17		
Interim paid		<b>51,064</b>	25,506
Proposed final		<b>206,152</b>	25,520
		<b>257,216</b>	51,026

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Profit for the year	<b>1,282,437</b>	240,731
Other comprehensive income:		
Change in fair value of non-current investments	<b>883,913</b>	908,286
Change in fair value of land and buildings transferred to investment properties	—	4,132
Exchange differences	<b>502,299</b>	310,081
Other comprehensive income for the year	<b>1,386,212</b>	1,222,499
Total comprehensive income for the year	<b>2,668,649</b>	1,463,230
Total comprehensive income attributable to:		
Equity holders of the Company	<b>2,573,302</b>	1,385,299
Non-controlling interests	<b>95,347</b>	77,931
	<b>2,668,649</b>	1,463,230

# Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	605,121	492,383
Investment properties	19	4,555,685	4,565,479
Leasehold land and land use rights	20	16,479	16,288
Jointly controlled entities	22	2,658,402	2,608,155
Associated companies	23	1,327,832	1,193,796
Non-current investments	24	2,310,523	1,426,610
Deferred taxation assets	34	40,848	35,149
Other non-current assets	25	106,781	99,176
		<b>11,621,671</b>	10,437,036
<b>Current assets</b>			
Development properties	26	11,146,166	9,460,026
Inventories		9,557	—
Debtors and prepayments	27	213,281	124,623
Tax recoverable		9,750	1,631
Structured bank deposits	28	968,299	155,130
Short-term bank deposits	29	524,238	—
Cash and bank balances	29	3,070,354	3,079,871
		<b>15,941,645</b>	12,821,281
<b>Total assets</b>		<b>27,563,316</b>	23,258,317
<b>EQUITY</b>			
Share capital	30	257,690	255,082
Reserves	32	12,491,475	9,953,423
Shareholders' funds		<b>12,749,165</b>	10,208,505
Non-controlling interests		996,486	896,919
<b>Total equity</b>		<b>13,745,651</b>	11,105,424
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	33	5,448,377	5,661,799
Deferred taxation liabilities	34	912,207	808,206
		<b>6,360,584</b>	6,470,005
<b>Current liabilities</b>			
Amounts due to jointly controlled entities	22	67,148	67,218
Creditors and accruals	35	3,363,680	1,521,794
Current portion of borrowings	33	3,111,313	3,417,200
Tax payable		914,940	676,676
		<b>7,457,081</b>	5,682,888
<b>Total liabilities</b>		<b>13,817,665</b>	12,152,893
<b>Total equity and liabilities</b>		<b>27,563,316</b>	23,258,317
<b>Net current assets</b>		<b>8,484,564</b>	7,138,393
<b>Total assets less current liabilities</b>		<b>20,106,235</b>	17,575,429

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

**Paddy Tang Lui Wai Yu**  
Executive Director

# Company Balance Sheet

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Subsidiaries	21	259,561	259,561
Jointly controlled entities	22	438,568	438,568
		<b>698,129</b>	698,129
<b>Current assets</b>			
Amounts due from subsidiaries	21	2,752,897	2,868,068
Debtors and prepayments	27	—	318
Tax recoverable		—	1,435
Cash and bank balances	29	5,791	858
		<b>2,758,688</b>	2,870,679
<b>Total assets</b>		<b>3,456,817</b>	3,568,808
<b>EQUITY</b>			
Share capital	30	257,690	255,082
Reserves	32	3,196,546	3,196,165
Shareholders' funds		<b>3,454,236</b>	3,451,247
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors and accruals	35	2,581	2,561
Borrowings	33	—	115,000
<b>Total liabilities</b>		<b>2,581</b>	117,561
<b>Total equity and liabilities</b>		<b>3,456,817</b>	3,568,808
<b>Net current assets</b>		<b>2,756,107</b>	2,753,118
<b>Total assets less current liabilities</b>		<b>3,454,236</b>	3,451,247

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

**Paddy Tang Lui Wai Yu**  
Executive Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Cash flows generated from operating activities</b>			
Cash generated from/(used in) operations	36(a)	2,252,715	(720,601)
Tax paid		(292,857)	(107,301)
Interest paid		(252,219)	(182,223)
Net cash generated from/(used in) operating activities		1,707,639	(1,010,125)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(117,049)	(187,712)
Acquisition of additional interests in a subsidiary from non-controlling interests		—	(771,209)
Acquisition of a jointly controlled entity		—	(18,569)
Loans to jointly controlled entities		(54,868)	(177,279)
Loans to associated companies		(145,364)	(453,953)
(Increase)/decrease in structured bank deposits		(813,169)	344,666
Increase in short-term bank deposits maturing after three months		(524,238)	—
Proceeds from disposal of property, plant and equipment		214	44
Proceeds from disposal of an investment property		383,036	—
Proceeds from realisation of investments		6,045	—
Disposal of a subsidiary	7	—	4,548
Interest received		65,901	29,449
Dividends received from jointly controlled entities		—	107,295
Net cash used in investing activities		(1,199,492)	(1,122,720)
<b>Cash flows from financing activities</b>			
Issue of new shares	36(b)	4,011	9,711
New long-term bank loans		2,851,028	3,451,873
Repayment of long-term borrowings		(2,983,806)	(270,948)
New short-term bank loans repayable after three months from date of advance		823,000	1,426,929
Repayment of short-term bank loans repayable after three months from date of advance		(1,322,456)	(1,232,510)
Capital contribution from non-controlling interests		7,117	122,122
Dividends paid to shareholders		(36,653)	(104,100)
Net cash (used in)/generated from financing activities		(657,759)	3,403,077
<b>Net (decrease)/increase in cash and bank balances</b>			
Cash and bank balances at beginning of year		3,079,871	1,758,295
Changes in exchange rates		140,095	51,344
<b>Cash and bank balances at end of year</b>		<b>3,070,354</b>	<b>3,079,871</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31 December 2010	255,082	9,953,423	10,208,505	896,919	11,105,424
<b>Comprehensive income</b>					
Profit for the year	—	1,243,514	1,243,514	38,923	1,282,437
<b>Other comprehensive income</b>					
Change in fair value of non-current investments	—	883,913	883,913	—	883,913
Exchange differences	—	445,875	445,875	56,424	502,299
	—	1,329,788	1,329,788	56,424	1,386,212
<b>Total comprehensive income</b>	—	2,573,302	2,573,302	95,347	2,668,649
<b>Transactions with equity holders</b>					
Issue of shares upon exercise of share options	239	3,772	4,011	—	4,011
Shares issued as scrip dividends	2,369	(2,369)	—	—	—
Reserve arising on scrip dividends	—	39,931	39,931	—	39,931
Capital contribution from non-controlling interests	—	—	—	7,117	7,117
Dividends	—	(76,584)	(76,584)	(2,897)	(79,481)
	2,608	(35,250)	(32,642)	4,220	(28,422)
<b>At 31 December 2011</b>	<b>257,690</b>	<b>12,491,475</b>	<b>12,749,165</b>	<b>996,486</b>	<b>13,745,651</b>
At 31 December 2009	247,038	8,707,479	8,954,517	1,492,701	10,447,218
<b>Comprehensive income</b>					
Profit for the year	—	193,139	193,139	47,592	240,731
<b>Other comprehensive income</b>					
Change in fair value of non-current investments	—	908,286	908,286	—	908,286
Change in fair value of land and buildings transferred to investment properties	—	2,876	2,876	1,256	4,132
Exchange differences	—	280,998	280,998	29,083	310,081
	—	1,192,160	1,192,160	30,339	1,222,499
<b>Total comprehensive income</b>	—	1,385,299	1,385,299	77,931	1,463,230
<b>Transactions with equity holders</b>					
Issue of shares upon exercise of share options	960	8,751	9,711	—	9,711
Shares issued as scrip dividends	7,084	(7,084)	—	—	—
Reserve arising on scrip dividends	—	169,320	169,320	—	169,320
Capital contribution from non-controlling interests	—	—	—	122,122	122,122
Acquisition of additional interest in a subsidiary from non-controlling interests	—	(35,236)	(35,236)	(766,614)	(801,850)
Disposal of a subsidiary	—	(1,686)	(1,686)	(1,364)	(3,050)
Dividends	—	(273,420)	(273,420)	(27,857)	(301,277)
	8,044	(139,355)	(131,311)	(673,713)	(805,024)
At 31 December 2010	255,082	9,953,423	10,208,505	896,919	11,105,424

# 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 22 March 2012.

## 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 and non-current investments, 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement 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 2010, except as stated below.

### The adoption of revised HKFRSs

In 2011, the Group adopted the revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 24 (Revised)	Related Parties Disclosures
HKAS 32 (Amendment)	Financial Instruments: Presentation — Classification of Right Issues
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

### HKICPA’s annual improvements to certain HKFRSs published in May 2010

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

## 2 BASIS OF PREPARATION (cont'd)

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations 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 and amendments to HKFRSs that are not yet effective

The following new/revised standards and amendments are effective for the accounting periods of the Group beginning on or after 1 January 2012 and are relevant to its operations but the Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will result.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Transfer of Financial Assets	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

## Notes to 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 special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 and unrealised gains on transactions between group companies are eliminated. Unrealised losses 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 uses 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 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

### 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 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, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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.

## Notes to the Consolidated Financial Statements

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

#### 3.1 Consolidation (cont'd)

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

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

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

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

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

If the ownership interest in an 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) *Jointly controlled entities*

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for under the equity method of accounting and are initially recognised at cost. The investments in jointly controlled entities of the Group include goodwill identified on acquisition, net of any accumulated impairment. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies of the Group.

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

#### 3.1 Consolidation (cont'd)

##### (c) *Jointly controlled entities (cont'd)*

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

The Group's share of its jointly controlled entities' 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.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the interest in the jointly controlled entities held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the balance sheet of the Company, investments in jointly controlled entities are stated at cost less provision for impairment. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

#### 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

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.

## Notes to the Consolidated Financial Statements

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

#### 3.4 Property, plant and equipment

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

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

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Buildings (including hotel building) on leasehold land are depreciated over their shorter useful life or respective lease periods using the straight-line method. No depreciation is provided on assets under construction. Depreciation of other property, plant and equipment is calculated to write off their costs to their estimated residual values using the straight-line method 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 of an asset 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 comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases and buildings is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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.

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

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

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

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values of investment property are recognised in the profit and loss statement.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

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 equity 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 revenue reserve upon disposal of this property.

## Notes to the Consolidated Financial Statements

### 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 (other investments), loans and receivables, 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 (other investments)*

Financial assets at fair value through profit or loss (other investments) are classified as current assets if they are either held for trading or are expected to be realised 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.

(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 greater 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.

### 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. 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. 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.

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 considered as an indicator in determining whether 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.

## Notes to the Consolidated Financial Statements

### 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 cost 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 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

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

#### 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.

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

#### 3.13 Borrowings

Borrowings 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 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 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 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.

## Notes to the Consolidated Financial Statements

### 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 obligation, 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, jointly controlled entities 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, if the deferred tax 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, it is not accounted for. 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.

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, 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.

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.

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

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

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

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

## Notes to the Consolidated Financial Statements

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

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

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

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

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

#### 3.19 Borrowing costs

General and specific borrowings costs directly attributable to the acquisition, construction or production of an qualified 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 internal use or sales. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

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

#### 3.20 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.

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

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

##### (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.

## Notes to the Consolidated Financial Statements

### 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 the exchange rates ruling at the balance sheet date 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 as a separate component of equity.

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 equity.

### 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 jointly controlled entity 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 jointly controlled entities 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, jointly controlled entities 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.

## Notes to the Consolidated Financial Statements

### 4 FINANCIAL RISK MANAGEMENT

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

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

#### 4.1 Financial risk factor

##### 4.1.1. Market risk

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

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

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

Except for HK\$ 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 2011, if Hong Kong dollar had weakened or strengthened by 3% (2010: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been higher or lower by approximately HK\$1 million (2010: HK\$10 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.

## 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)

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

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. At 31 December 2011, if interest rates had been increased or decreased by 1% (2010: 1%) with all other variables held constant, the profit before taxation for the year would decrease or increase by approximately HK\$40 million (2010: HK\$58 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 2011, if the share price of the available-for-sale investments had been increased or decreased by 10% (2010: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$231 million (2010: HK\$143 million).

#### 4.1.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, bank deposits, amounts due from jointly controlled entities 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 jointly controlled entities and associated companies, whereas the Company monitors the credibility of subsidiaries continuously.

## Notes to the Consolidated Financial Statements

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

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

##### 4.1.2. Credit risk (cont'd)

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

The credit risk on liquid funds is limited because 91% (2010: 95%) of the funds are placed in banks with high credit rankings, ranging from AA to A, and the remaining 9% (2010: 5%) 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 2011, the Group's total undrawn facilities amounted to HK\$3.7 billion (2010: HK\$3.5 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.

## 4 FINANCIAL RISK MANAGEMENT (cont'd)

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

#### 4.1.3. Liquidity risk (cont'd)

##### Group

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2011</b>					
Bank loans	3,352,011	2,456,799	3,303,580	—	9,112,390
Trade creditors	877,402	—	—	—	877,402
Other creditors and accruals	106,162	—	—	—	106,162
Amounts due to jointly controlled entities	67,148	—	—	—	67,148
Amounts due to non-controlling interests	69,220	—	—	—	69,220
<b>Total</b>	<b>4,471,943</b>	<b>2,456,799</b>	<b>3,303,580</b>	<b>—</b>	<b>10,232,322</b>
<b>At 31 December 2010</b>					
Bank loans	3,623,914	3,537,325	1,881,590	442,715	9,485,544
Trade creditors	340,476	—	—	—	340,476
Other creditors and accruals	97,004	—	—	—	97,004
Amounts due to jointly controlled entities	67,218	—	—	—	67,218
Amounts due to non-controlling interests	124,407	—	—	—	124,407
<b>Total</b>	<b>4,253,019</b>	<b>3,537,325</b>	<b>1,881,590</b>	<b>442,715</b>	<b>10,114,649</b>

##### Company

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2011</b>					
Bank loans	—	—	—	—	—
Other creditors	2,581	—	—	—	2,581
<b>Total</b>	<b>2,581</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,581</b>
<b>At 31 December 2010</b>					
Bank loans	116,335	—	—	—	116,335
Other creditors	2,561	—	—	—	2,561
<b>Total</b>	<b>118,896</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>118,896</b>

Note: Interest on borrowings is calculated on borrowings held as at 31 December 2011 and 2010. Floating-rate interest is estimated using the current interest rate as at 31 December 2011 and 2010 respectively.

## Notes to the Consolidated Financial Statements

### 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 assets excluding cash and bank balances and deposits. Net borrowings is calculated as total borrowings, including current and non-current borrowings, less cash, bank balances and deposits.

The gearing ratio is calculated as follows:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Total borrowings	<b>8,559,690</b>	9,078,999
Less: Cash, bank balances and deposits	<b>4,562,891</b>	3,235,001
Net borrowings	<b>3,996,799</b>	5,843,998
Total assets excluding cash, bank balances and deposits	<b>23,000,425</b>	20,023,316
Gearing ratio	<b>17%</b>	29%

#### 4.3 Fair value estimation

The disclosure of fair value measurements by level of 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 2011 and 2010, the Group had no Level 3 financial instruments, the only Level 1 financial instrument represents the non-current investments (note 24) and the only Level 2 financial instrument represents the structured bank deposits (note 28).

## 4 FINANCIAL RISK MANAGEMENT (cont'd)

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets that are not traded in an active market, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date.

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.

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

## 5 CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS

Estimates and judgements 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 effect on the carrying amounts of assets and liabilities are discussed below:

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

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

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

## Notes to the Consolidated Financial Statements

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

#### (b) Fair value of investment properties

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

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

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. 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 judgement and estimates.

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

The Group tests at each balance sheet date whether assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

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

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

Under the People's Republic of China ("PRC") laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

Judgement 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 judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

### (f) Share-based payments

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

### (g) Recoverability of receivables and prepayments

The Group assesses whether there is objective evidence that receivables 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 receivables and prepayments 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 gains/losses and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of jointly controlled entities and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

## Notes to the Consolidated Financial Statements

### 6 SEGMENT INFORMATION (cont'd)

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, tax recoverable, cash and bank balances and bank deposits and other assets mainly include non-current investments, hotel building and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to jointly controlled entities, borrowings, current and deferred taxation liabilities. Other liabilities included liabilities not arising from the operation of the operating segments.

	Continuing operations					
	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2011</b>						
Revenue	1,150,310	1,728,591	29,308	266,439	21,713	3,196,361
Adjusted EBITDA	696,849	1,098,453	15,372	231,749	(189,778)	1,852,645
Other income and expenses/gains, net						(99,022)
Depreciation and amortisation						(25,836)
Gain on disposal of an investment property				165,036		165,036
Change in fair value of investment properties				21,512		21,512
Finance costs						(38,384)
Share of losses of jointly controlled entities	(26,331)	(12,566)				(38,897)
Share of losses of associated companies	(11,328)					(11,328)
Profit before taxation						1,825,726
Taxation charge						(543,289)
Profit for the year						1,282,437
<b>As at 31 December 2011</b>						
Segment assets	1,295,277	14,464,310	128,253	4,772,922	—	20,660,762
Other assets	—	—	—	—	2,916,320	2,916,320
Jointly controlled entities	1,940,158	718,244	—	—	—	2,658,402
Associated companies	1,327,832	—	—	—	—	1,327,832
Total assets	4,563,267	15,182,554	128,253	4,772,922	2,916,320	27,563,316
Total liabilities	2,730,755	9,180,160	24,036	1,569,367	313,347	13,817,665

## 6 SEGMENT INFORMATION (cont'd)

	Continuing operations						Discontinued operation
	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 2010							
Revenue	279,416	351,695	—	264,945	—	896,056	43,960
Adjusted EBITDA	153,666	168,031	(1,607)	226,805	(175,048)	371,847	(7,486)
Other income and expenses/gains, net						(34,178)	(103)
Depreciation and amortisation						(8,706)	(76)
Change in fair value of investment properties				90,521		90,521	—
Finance costs						(19,064)	(152)
Share of profits of jointly controlled entities	1,575	39,774				41,349	—
Share of losses of associated companies	(55)					(55)	—
Profit/(loss) before taxation						441,714	(7,817)
Taxation charge						(194,362)	—
Profit/(loss) for the year/period						247,352	(7,817)
Gain on disposal							1,196
							(6,621)
As at 31 December 2010							
Segment assets	1,726,852	10,902,290	72,774	4,811,657	—	17,513,573	
Other assets	—	—	—	—	1,942,793	1,942,793	
Jointly controlled entities	1,911,729	696,426	—	—	—	2,608,155	
Associated companies	1,193,796	—	—	—	—	1,193,796	
Total assets	4,832,377	11,598,716	72,774	4,811,657	1,942,793	23,258,317	
Total liabilities	2,746,973	7,731,998	26,120	1,599,727	48,075	12,152,893	

## Notes to the Consolidated Financial Statements

**6 SEGMENT INFORMATION (cont'd)****Geographical segment information**

The Group operates in three (2010: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2011 and 2010 and total non-current assets (other than financial instruments and deferred taxation assets) as at 31 December 2011 and 2010 by geographical area are as follows:

**Revenue**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Hong Kong	<b>1,169,798</b>	302,934
Mainland China	<b>1,978,756</b>	574,139
Singapore	<b>47,807</b>	18,983
	<b>3,196,361</b>	896,056
<b>Discontinued operation</b>		
Japan	—	43,960
	<b>3,196,361</b>	940,016

**Non-current assets**

(other than financial instruments and deferred taxation assets)

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>3,729,771</b>	3,790,474
Mainland China	<b>5,247,389</b>	4,905,815
Singapore	<b>186,359</b>	179,812
	<b>9,163,519</b>	8,876,101

## 7 DISCONTINUED OPERATION

	2010 HK\$'000
<b>Trading</b>	
Revenue	43,960
Cost of sales and operating expenses	(51,777)
Loss before taxation	(7,817)
Taxation	—
Loss for the period	(7,817)
Gain on disposal	1,196
Loss from discontinued operation	(6,621)
Loss from discontinued operation attributable to:	
Equity holders of the Company	(4,667)
Non-controlling interest	(1,954)
	(6,621)
Operating cash flows	(4,065)
Investment cash flows	8
Financing cash flows	671
Net decrease in cash and bank balances	(3,386)
Net assets disposed	
Plant and equipment	393
Debtors and prepayments	10,424
Cash and bank balances	12,256
Borrowings	(1,392)
Creditors and accruals	(16,224)
	5,457
Interest attributable to the Group	4,093
Gain on disposals	1,196
Taxation	945
Release of reserves	(1,686)
Cash consideration	4,548

The discontinued operation represented the trading of plant and machinery carried out in Japan, which ceased to be a subsidiary on 3 October 2010.

## Notes to the Consolidated Financial Statements

**8 REVENUE**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Sale of properties	<b>2,908,209</b>	631,111
Rental income	<b>266,439</b>	264,945
Hotel operations	<b>21,713</b>	—
	<b>3,196,361</b>	896,056

**9 FINANCE COSTS**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interest expense		
Bank loans, overdrafts and others, wholly repayable within five years	<b>252,219</b>	186,405
Capitalised as cost of properties under development	<b>(213,835)</b>	(167,189)
	<b>38,384</b>	19,216
Representing:		
Continuing operations	<b>38,384</b>	19,064
Discontinued operation	—	152
	<b>38,384</b>	19,216

The capitalisation rate applied to funds borrowed generally and used for the development of properties are between 1% and 8% per annum (2010: 1% to 6% per annum).

## 10 PROFIT BEFORE TAXATION

	<b>2011</b>	2010	
	<b>Continuing</b>	Continuing	Discontinued
	<b>operations</b>	operations	operation
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Profit before taxation is stated after crediting :			
Interest income from banks	<b>66,262</b>	25,993	7
Interest income from mortgage loans	<b>278</b>	437	—
Net exchange gains	<b>10,705</b>	20,452	—
Write-back of provision for construction costs	<b>2,400</b>	10,088	—
Gain on disposal of an investment property	<b>165,036</b>	—	—
and after charging :			
Cost of properties sold	<b>989,721</b>	230,135	—
Cost of inventories consumed/sold	<b>2,594</b>	—	35,237
Selling and marketing expenses	<b>180,362</b>	81,230	—
Depreciation (net of amount capitalised under properties under development of HK\$392,000 (2010: HK\$276,000))	<b>24,524</b>	8,646	—
Amortisation for leasehold land and land use rights	<b>1,312</b>	60	—
Auditors' remuneration			
Audit services			
Provision for the year	<b>3,443</b>	3,180	—
Under-provision for prior years	<b>—</b>	213	—
Non-audit services	<b>1,091</b>	884	—
Loss on disposal of property, plant and equipment	<b>52</b>	82	—
Operating lease rental for land and buildings	<b>1,389</b>	1,377	848
Outgoings in respect of investment properties			
Direct operating expense of investment properties that generate rental income	<b>6,174</b>	4,479	—
Direct operating expense of investment properties that did not generate rental income	<b>145</b>	131	—

## Notes to the Consolidated Financial Statements

## 11 EMPLOYEE BENEFIT EXPENSES

	2011 HK\$'000	2010 HK\$'000
Staff costs including directors' emoluments	252,871	232,757
Pension costs — defined contribution plans	12,157	10,637
	<b>265,028</b>	243,394
Less: Amount capitalised under properties under development	<b>(54,292)</b>	(45,665)
	<b>210,736</b>	197,729

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 15% 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\$1,135,000 (2010: HK\$922,000) were utilised, leaving HK\$66,000 (2010: HK\$90,000) available at the balance sheet date to reduce future contributions.

## 12 DIRECTORS' REMUNERATION

Name	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Share options (a)	2011 Total	2010 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Che-woo Lui	220	9,000	—	908	—	<b>10,128</b>	11,961
Francis Lui Yiu Tung	130	1,114	96	111	—	<b>1,451</b>	1,485
Paddy Tang Lui Wai Yu	130	4,560	372	432	—	<b>5,494</b>	5,878
Alexander Lui Yiu Wah	94	6,678	556	644	—	<b>7,972</b>	5,669
Robin Chan Yau Hing	130	—	—	—	—	<b>130</b>	120
William Yip Shue Lam	300	—	—	—	—	<b>300</b>	290
Moses Cheng Mo Chi	130	—	—	—	—	<b>130</b>	50
Poon Chung Kwong	130	—	—	—	—	<b>130</b>	50
Au Man Chu (b)	—	—	—	—	—	—	—
Wong Kwai Lam (b)	—	—	—	—	—	—	—
Michael Leung Man Kin (c)	230	—	—	—	—	<b>230</b>	220
Sir David Akers-Jones (c)	97	—	—	—	—	<b>97</b>	120
Robert George Nield (c)	280	—	—	—	—	<b>280</b>	270
Albert Lam Kwong Yu (c)	—	—	—	—	—	—	51
Eddie Hui Ki On (d)	—	—	—	—	—	—	3
Leo Lee Tung Hai (d)	57	—	—	—	—	<b>57</b>	120
Claudia Cheung Man Wan (d)	94	2,629	273	213	—	<b>3,209</b>	2,357
	2,022	23,981	1,297	2,308	—	<b>29,608</b>	28,644

- (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) Newly appointed.
- (c) Resigned/retired.
- (d) Passed away.

## Notes to the Consolidated Financial Statements

### 13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2010: four) Directors. The emoluments of the five individuals are as follows:

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Salaries and other emoluments	<b>26,908</b>	26,329
Pension cost — defined contribution plans	<b>2,359</b>	2,354
Discretionary bonuses	<b>1,464</b>	5,609
	<b>30,731</b>	34,292

The emoluments of the individuals fell within the following bands:

	<b>Number of employees</b>	
	<b>2011</b>	2010
HK\$3,000,001–HK\$3,500,000	<b>1</b>	—
HK\$3,500,001–HK\$4,000,000	<b>1</b>	1
HK\$4,000,001–HK\$4,500,000	—	1
HK\$5,000,001–HK\$5,500,000	<b>1</b>	—
HK\$5,500,001–HK\$6,000,000	—	1
HK\$7,500,001–HK\$8,000,000	<b>1</b>	—
HK\$8,000,001–HK\$8,500,000	—	1
HK\$10,000,001–HK\$10,500,000	<b>1</b>	—
HK\$11,500,001–HK\$12,000,000	—	1
	<b>5</b>	5

## 14 TAXATION CHARGE

	2011 HK\$'000	2010 HK\$'000
Current		
Hong Kong profits tax	<b>53,828</b>	5,313
Mainland China		
— Income tax	<b>266,090</b>	82,608
— Land appreciation tax	<b>361,454</b>	96,508
Overseas	<b>3,473</b>	1,585
(Over)/under-provision in previous years	<b>(203,639)</b>	1,406
Deferred (note 34)	<b>62,083</b>	6,942
	<b>543,289</b>	194,362

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward.

Taxation assessable profits generated in Mainland China and overseas has been provided at the rates of taxation on 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 included a reversal of provision for the PRC tax of approximately HK\$203 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

### 14 TAXATION CHARGE (cont'd)

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>1,825,726</b>	441,714
Share of losses/(profits) of jointly controlled entities	<b>38,897</b>	(41,349)
Share of losses of associated companies	<b>11,328</b>	55
	<b>1,875,951</b>	400,420
Tax calculated at applicable tax rates	<b>369,848</b>	79,629
Income not subject to taxation	<b>(27,757)</b>	(20,841)
Expenses not deductible for taxation purposes	<b>9,433</b>	13,171
Utilisation of previously unrecognised tax losses	<b>(28,728)</b>	(2,551)
Tax losses not recognised	<b>27,127</b>	26,837
(Over)/under-provision in previous years	<b>(203,639)</b>	1,406
Recognition of previously unrecognised temporary differences	<b>28,107</b>	—
	<b>174,391</b>	97,651
Withholding tax	<b>7,444</b>	203
Land appreciation tax	<b>361,454</b>	96,508
Taxation charge	<b>543,289</b>	194,362

### 15 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$35,631,000 (2010: HK\$32,640,000).

## 16 EARNINGS PER SHARE

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

	Continuing operations		Discontinued operation	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders of the Company	<b>1,243,514</b>	197,806	—	(4,667)
	<b>Number of shares</b>			
			2011	2010
Weighted average number of shares for calculating basic earnings per share			<b>2,576,093,000</b>	2,548,245,000
Effect of dilutive potential shares Share options			<b>9,237,000</b>	12,442,000
Weighted average number of shares for calculating diluted earnings per share			<b>2,585,330,000</b>	2,560,687,000

## 17 DIVIDENDS

	2011 HK\$'000	2010 HK\$'000
Interim scrip dividend (with cash option) of 2 HK cents (2010: interim cash dividend of 1 HK cent) per share	<b>51,064</b>	25,506
Proposed final scrip dividend (with cash option) of 8 HK cents (2010: final cash dividend of 1 HK cent) per share (a)	<b>206,152</b>	25,520
	<b>257,216</b>	51,026
The dividends have been settled by cash as follows:		
Interim	<b>11,133</b>	25,506
Final	—	25,520
	<b>11,133</b>	51,026

- (a) The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2011 of 8 HK cents (2010: final cash dividend of 1 HK cent) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2012.

## Notes to the Consolidated Financial Statements

## 18 PROPERTY, PLANT AND EQUIPMENT

## Group

	Hotel building HK\$'000	Land and buildings HK\$'000	Assets under construction HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>Cost</b>						
At 31 December 2009	—	119,406	153,085	2,953	51,214	326,658
Exchange differences	—	790	4,896	102	585	6,373
Additions	—	11,682	162,339	—	13,691	187,712
Change in fair value for land and buildings	—	4,132	—	—	—	4,132
Transfer to investment properties	—	(6,001)	—	—	—	(6,001)
Transfer from investment properties	—	37,032	—	—	—	37,032
Disposal of a subsidiary	—	—	—	—	(1,905)	(1,905)
Disposal	—	—	—	—	(645)	(645)
At 31 December 2010	—	167,041	320,320	3,055	62,940	553,356
Exchange differences	8,661	2,654	8,660	663	1,519	22,157
Additions	—	—	65,467	23,271	28,311	117,049
Reclassification	394,447	—	(394,447)	—	—	—
Disposals	—	—	—	—	(657)	(657)
<b>At 31 December 2011</b>	<b>403,108</b>	<b>169,695</b>	<b>—</b>	<b>26,989</b>	<b>92,113</b>	<b>691,905</b>
<b>Accumulated depreciation</b>						
At 31 December 2009	—	25,279	—	1,063	27,259	53,601
Exchange differences	—	188	—	43	460	691
Charge for the year	—	2,320	—	269	6,333	8,922
Transfer to investment properties	—	(210)	—	—	—	(210)
Disposal of a subsidiary	—	—	—	—	(1,512)	(1,512)
Disposals	—	—	—	—	(519)	(519)
At 31 December 2010	—	27,577	—	1,375	32,021	60,973
Exchange differences	179	334	—	110	663	1,286
Charge for the year	8,154	2,859	—	1,936	11,967	24,916
Disposals	—	—	—	—	(391)	(391)
<b>At 31 December 2011</b>	<b>8,333</b>	<b>30,770</b>	<b>—</b>	<b>3,421</b>	<b>44,260</b>	<b>86,784</b>
<b>Net book value</b>						
<b>At 31 December 2011</b>	<b>394,775</b>	<b>138,925</b>	<b>—</b>	<b>23,568</b>	<b>47,853</b>	<b>605,121</b>
At 31 December 2010	—	139,464	320,320	1,680	30,919	492,383

Hotel building and land and buildings with carrying values of HK\$533,700,000 (2010: HK\$139,464,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

## 19 INVESTMENT PROPERTIES

### Group

	2011 HK\$'000	2010 HK\$'000
At beginning of year	4,565,479	4,364,555
Exchange differences	186,694	144,214
Change in fair value	21,512	90,521
Disposal	(218,000)	—
Transfer from property, plant and equipment	—	5,791
Transfer to property, plant and equipment	—	(37,032)
Transfer from leasehold land and land use rights	—	120
Transfer to leasehold land and land use rights	—	(2,690)
At end of year	<b>4,555,685</b>	4,565,479

- (a) Investment properties held under medium-term leases in Mainland China amounting to HK\$4,017,269,000 (2010: HK\$3,813,962,000), were valued at 31 December 2011 on an open market value basis by Savills Valuation and Professional Services Limited (“Savills”), independent professional valuers. Investment properties held under medium-term leases in Hong Kong amounting to HK\$354,000,000 (2010: HK\$355,800,000), were valued at 31 December 2011 on an open market value basis by DTZ Debenham Tie Leung Limited (2010: Savills), independent professional valuers. Investment properties held under long-term leases in Singapore amounting to HK\$184,416,000 (2010: HK\$177,717,000) were valued at 31 December 2011 on an open market value basis by Chesterton Suntec International Pte Ltd., independent professional valuers. An investment property held under long-term leases in Hong Kong amounting to HK\$218,000,000 were valued at 31 December 2010 on an open market value basis by Savills and was disposed in 2011.
- (b) Investment properties with carrying values of HK\$4,201,685,000 (2010: HK\$3,991,679,000) were pledged to secure the banking facilities of the Group.
- (c) The Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

## Notes to the Consolidated Financial Statements

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>16,288</b>	12,619
Transfer to investment properties	—	(120)
Transfer from investment properties	—	2,690
Transfer from development properties	<b>1,269</b>	668
Exchange differences	<b>234</b>	491
Amortisation	<b>(1,312)</b>	(60)
At end of year	<b>16,479</b>	16,288

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\$16,479,000 (2010: HK\$16,288,000) were pledged to secure the banking facilities of the Group.

**21 SUBSIDIARIES**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost less provision	<b>259,561</b>	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).

**22 JOINTLY CONTROLLED ENTITIES****Group**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>762,152</b>	766,703
Loan receivables	<b>1,896,250</b>	1,841,452
	<b>2,658,402</b>	2,608,155

## 22 JOINTLY CONTROLLED ENTITIES (cont'd)

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

	2011 HK\$'000	2010 HK\$'000
Assets	5,229,865	4,368,647
Liabilities	<b>(4,467,713)</b>	(3,601,944)
Net assets	<b>762,152</b>	766,703
Revenue	<b>12,322</b>	117,434
(Loss)/profit after taxation	<b>(38,897)</b>	41,349

### Company

	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	<b>438,568</b>	438,568

Loan receivables and the amounts due to jointly controlled entities are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of jointly controlled entities of the Group are given in note 40 (b). The jointly controlled entities do not have any material contingent liabilities as at 31 December 2011.

## 23 ASSOCIATED COMPANIES

### Group

	2011 HK\$'000	2010 HK\$'000
Share of net liabilities	<b>(11,507)</b>	(179)
Loan receivables	<b>1,339,339</b>	1,193,975
	<b>1,327,832</b>	1,193,796

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:

	2011 HK\$'000	2010 HK\$'000
Assets	2,476,592	2,263,850
Liabilities	<b>(2,488,099)</b>	(2,264,029)
Net liabilities	<b>(11,507)</b>	(179)
Revenue	—	—
Loss after taxation	<b>(11,328)</b>	(55)

## Notes to the Consolidated Financial Statements

### 23 ASSOCIATED COMPANIES (cont'd)

Loan receivables from associated companies are unsecured, non-interest bearing and have no fixed terms of repayment.

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 2011.

### 24 NON-CURRENT INVESTMENTS

#### Group

	2011 HK\$'000	2010 HK\$'000
Listed equity securities, at fair value	<b>2,310,523</b>	1,426,610

The listed securities represent the Group's 3.9% (2010: 4.1%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

### 25 OTHER NON-CURRENT ASSETS

#### Group

	2011 HK\$'000	2010 HK\$'000
Loan receivable	<b>103,937</b>	95,540
Mortgage loans, net of provision	<b>2,844</b>	3,636
	<b>106,781</b>	99,176

The loan receivable is unsecured, interest free, denominated in RMB and repayable more than one year from year end. The fair value of the loan as at 31 December 2011 is HK\$103,937,000 (2010: HK\$95,540,000), which is based on cash flows discounted using a rate based on the borrowing rate of 5% (2010: 5%), which is made reference to the benchmark rate announced by the PRC. The loan was fully performing. The Group does not hold any collateral as security.

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 is included under other debtors. The Group has written back an impairment loss of HK\$420,000 for its mortgage loans in 2010 and included in other operating income in the consolidated profit and loss statement.

## 26 DEVELOPMENT PROPERTIES

### Group

	Completed HK\$'000	Under development HK\$'000	2011 HK\$'000	2010 HK\$'000
Leasehold land and land use rights	911,620	3,389,770	<b>4,301,390</b>	4,281,308
Development costs	1,444,487	5,400,289	<b>6,844,776</b>	5,178,718
	2,356,107	8,790,059	<b>11,146,166</b>	9,460,026

Development properties with carrying values of HK\$7,363,401,000 (2010: HK\$6,473,409,000) were pledged to secure the banking facilities of the Group.

At the year end date, development properties under development amounting to HK\$8,516,149,000 (2010: HK\$7,027,991,000 ) 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	Singapore HK\$'000	2011 HK\$'000	2010 HK\$'000
Long-term lease	485,034	3,437,856	28,897	<b>3,951,787</b>	3,772,634
Medium-term lease	349,603	—	—	<b>349,603</b>	508,674
	834,637	3,437,856	28,897	<b>4,301,390</b>	4,281,308

## 27 DEBTORS AND PREPAYMENTS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade debtors, net of provision	<b>2,850</b>	7,072	—	—
Other debtors, net of provision	<b>54,836</b>	52,590	—	—
Amount due from a non-controlling interest	<b>7,117</b>	—	—	—
Land deposits, net of impairment	<b>9,706</b>	9,706	—	—
Prepayments and deposits	<b>138,772</b>	55,255	—	318
	<b>213,281</b>	124,623	—	318

## Notes to the Consolidated Financial Statements

**27 DEBTORS AND PREPAYMENTS (cont'd)**

The debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	<b>16,985</b>	30,167	—	318
RMB	<b>191,926</b>	94,343	—	—
Singapore dollar	<b>4,370</b>	113	—	—
	<b>213,281</b>	124,623	—	318

Trade debtors mainly comprise rental receivable. Rental from tenants is due and payable in advance. The amount due from a non-controlling interest is denominated in RMB, unsecured, non-interest bearing and has no fixed terms of repayments.

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:

	2011 HK\$'000	2010 HK\$'000
Within one month	<b>2,057</b>	7,019
Two to three months	<b>748</b>	11
Four to six months	<b>2</b>	42
Over six months	<b>43</b>	—
	<b>2,850</b>	7,072

The Group has not made further provision for impairment for its trade and other debtors during the year. As at 31 December 2011, trade and other debtors of HK\$16,123,000 (2010: HK\$16,123,000) were impaired and full provision has been made. Movements of the provision are as follows:

	2011 HK\$'000	2010 HK\$'000
At beginning of year	<b>16,123</b>	16,183
Disposal of a subsidiary	—	(60)
At end of year	<b>16,123</b>	16,123

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

## 28 STRUCTURED BANK DEPOSITS

The structured bank deposits are principal-protected deposits denominated in RMB with fixed maturity dates of not more than 3 months and their interest rates range from 1.5% to 5% (2010: 1.5% to 6%) per annum, with reference to certain interest rate and foreign currency exchange rates. The Group uses the deposits primarily to enhance the interest yield.

## 29 SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Short-term bank deposits maturing after three months	524,238	—	—	—
Cash at bank and in hand	2,503,175	1,607,537	5,791	858
Short-term bank deposits	567,179	1,472,334	—	—
Cash and bank balances	3,070,354	3,079,871	5,791	858
	3,594,592	3,079,871	5,791	858

The cash and bank balances include HK\$400,671,000 (2010: HK\$854,135,000) which have been pledged or assigned for specific purposes under certain conditions.

The short-term bank deposits and cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	367,469	662,177	5,791	858
RMB	2,388,055	2,377,181	—	—
United States dollar	783,333	1,656	—	—
Singapore dollar	55,735	38,857	—	—
	3,594,592	3,079,871	5,791	858

## Notes to the Consolidated Financial Statements

**29 SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES (cont'd)**

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

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Credit Rating:</b>				
AA	<b>1,099,554</b>	718,493	<b>5,769</b>	844
A	<b>2,185,059</b>	2,212,827	<b>15</b>	7
BBB	<b>62,378</b>	—	<b>—</b>	—
Others	<b>247,601</b>	148,551	<b>7</b>	7
	<b>3,594,592</b>	3,079,871	<b>5,791</b>	858

**30 SHARE CAPITAL**

	2011		2010	
	Shares of HK\$0.10 each	HK\$'000	Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning and end of year	<b>5,000,000,000</b>	<b>500,000</b>	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	<b>2,550,821,810</b>	<b>255,082</b>	2,470,383,196	247,038
Share options exercised (a)	<b>2,387,400</b>	<b>239</b>	9,600,130	960
Issued as scrip dividends	<b>23,692,939</b>	<b>2,369</b>	70,838,484	7,084
At end of year	<b>2,576,902,149</b>	<b>257,690</b>	2,550,821,810	255,082

- (a) During the year, share options to subscribe for 2,387,400 (2010: 9,600,130) shares were exercised, of which HK\$239,000 (2010: HK\$960,000) was credited to share capital and HK\$4,335,000 (2010: HK\$11,199,000) to the share premium account and HK\$563,000 (2010: HK\$2,448,000) was debited to share option reserve.

### 31 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:

	2011		2010	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	2.6802	31,954,050	2.3547	43,535,820
Exercised	1.6800	(2,387,400)	1.0086	(9,600,130)
Lapsed	2.9980	(5,495,000)	3.6270	(1,981,640)
At end of year	2.7057	24,071,650	2.6802	31,954,050
Vested at end of year	2.7057	24,071,650	2.6802	31,954,050

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.936 (2010: HK\$2.742).

The options outstanding at 31 December 2011 have exercise prices ranging from HK\$0.938 to HK\$4.636 (2010: HK\$0.938 to HK\$4.636) with weighted average remaining contractual life of 4.1 years (2010: 4.5 years).

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

Exercise period	Exercise price per share HK\$	Number of share options	
		2011	2010
<b>Directors</b>			
22 October 2006 to 21 October 2011	1.906	—	4,580,000
27 November 2008 to 26 November 2017	4.636	3,485,000	4,807,000
27 November 2008 to 26 November 2017	3.882	1,600,000	2,000,000
3 March 2010 to 2 March 2014	0.938	9,950,900	11,220,900
<b>Employees and others</b>			
22 October 2006 to 21 October 2011	1.906	—	455,000
27 November 2008 to 26 November 2017	4.636	5,286,000	6,018,000
27 November 2008 to 26 November 2017	3.882	1,836,000	1,657,000
3 March 2010 to 2 March 2014	0.938	1,913,750	1,216,150
		<b>24,071,650</b>	31,954,050

## Notes to the Consolidated Financial Statements

## 32 RESERVES

## 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	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2010	1,686,730	25,298	99,089	13	859	2,963	1,254,377	808,243	6,075,851	9,953,423
<b>Comprehensive income</b>										
Profit for the year	—	—	—	—	—	—	—	—	1,243,514	1,243,514
<b>Other comprehensive income</b>										
Translation differences	—	—	—	—	—	147	—	411,381	—	411,528
Translation differences for jointly controlled entities	—	—	—	—	—	—	—	34,347	—	34,347
Change in fair value of non-current investments	—	—	—	—	—	—	883,913	—	—	883,913
<b>Transactions with equity holders</b>										
Exercise of share options	4,335	(563)	—	—	—	—	—	—	—	3,772
Lapse of share options	—	(4,117)	—	—	—	—	—	—	4,117	—
Shares issued as scrip dividends	(2,369)	—	—	—	—	—	—	—	—	(2,369)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	39,931	39,931
2010 final dividend	—	—	—	—	—	—	—	—	(25,520)	(25,520)
2011 interim dividend	—	—	—	—	—	—	—	—	(51,064)	(51,064)
<b>At 31 December 2011</b>	<b>1,688,696</b>	<b>20,618</b>	<b>99,089</b>	<b>13</b>	<b>859</b>	<b>3,110</b>	<b>2,138,290</b>	<b>1,253,971</b>	<b>7,286,829</b>	<b>12,491,475</b>
<b>Retained by:</b>										
<b>Company and subsidiaries</b>	<b>1,688,696</b>	<b>20,618</b>	<b>99,089</b>	<b>13</b>	<b>859</b>	<b>3,110</b>	<b>2,138,290</b>	<b>1,091,474</b>	<b>7,197,133</b>	<b>12,239,282</b>
<b>Jointly controlled entities</b>	—	—	—	—	—	—	—	162,497	101,205	263,702
<b>Associated companies</b>	—	—	—	—	—	—	—	—	(11,509)	(11,509)
	<b>1,688,696</b>	<b>20,618</b>	<b>99,089</b>	<b>13</b>	<b>859</b>	<b>3,110</b>	<b>2,138,290</b>	<b>1,253,971</b>	<b>7,286,829</b>	<b>12,491,475</b>
At 31 December 2009	1,682,615	30,001	99,089	13	482	—	346,091	529,395	6,019,793	8,707,479
<b>Comprehensive income</b>										
Profit for the year	—	—	—	—	—	—	—	—	193,139	193,139
<b>Other comprehensive income</b>										
Translation differences	—	—	—	—	—	87	—	269,179	—	269,266
Translation differences for jointly controlled entities	—	—	—	—	—	—	—	23,125	—	23,125
Release of realised exchange difference	—	—	—	—	—	—	—	(11,393)	—	(11,393)
Transfer of properties to investment properties	—	—	—	—	—	2,876	—	—	—	2,876
Change in fair value of non-current investments	—	—	—	—	—	—	908,286	—	—	908,286
<b>Transactions with equity holders</b>										
Exercise of share options	11,199	(2,448)	—	—	—	—	—	—	—	8,751
Lapse of share options	—	(2,255)	—	—	—	—	—	—	2,255	—
Shares issued as scrip dividends	(7,084)	—	—	—	—	—	—	—	—	(7,084)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	169,320	169,320
Release from disposal of a subsidiary	—	—	—	—	377	—	—	(2,063)	—	(1,686)
Acquisition of additional interest in a subsidiary from non-controlling interests	—	—	—	—	—	—	—	—	(35,236)	(35,236)
2009 final dividend	—	—	—	—	—	—	—	—	(247,914)	(247,914)
2010 interim dividend	—	—	—	—	—	—	—	—	(25,506)	(25,506)
At 31 December 2010	1,686,730	25,298	99,089	13	859	2,963	1,254,377	808,243	6,075,851	9,953,423
<b>Retained by:</b>										
<b>Company and subsidiaries</b>	<b>1,686,730</b>	<b>25,298</b>	<b>99,089</b>	<b>13</b>	<b>859</b>	<b>2,963</b>	<b>1,254,377</b>	<b>680,093</b>	<b>5,935,930</b>	<b>9,685,352</b>
<b>Jointly controlled entities</b>	—	—	—	—	—	—	—	128,150	140,102	268,252
<b>Associated companies</b>	—	—	—	—	—	—	—	—	(181)	(181)
	<b>1,686,730</b>	<b>25,298</b>	<b>99,089</b>	<b>13</b>	<b>859</b>	<b>2,963</b>	<b>1,254,377</b>	<b>808,243</b>	<b>6,075,851</b>	<b>9,953,423</b>

## 32 RESERVES (cont'd)

### Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2010	1,686,730	25,298	213,560	13	1,270,564	3,196,165
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	35,631	35,631
<b>Transactions with equity holders</b>						
Exercise of share options	4,335	(563)	—	—	—	3,772
Lapse of share options	—	(4,117)	—	—	4,117	—
Shares issued as scrip dividends	(2,369)	—	—	—	—	(2,369)
Reserve arising on scrip dividends	—	—	—	—	39,931	39,931
2010 final dividend	—	—	—	—	(25,520)	(25,520)
2011 interim dividend	—	—	—	—	(51,064)	(51,064)
<b>At 31 December 2011</b>	<b>1,688,696</b>	<b>20,618</b>	<b>213,560</b>	<b>13</b>	<b>1,273,659</b>	<b>3,196,546</b>
At 31 December 2009	1,682,615	30,001	213,560	13	1,339,769	3,265,958
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	32,640	32,640
<b>Transactions with equity holders</b>						
Exercise of share options	11,199	(2,448)	—	—	—	8,751
Lapse of share options	—	(2,255)	—	—	2,255	—
Shares issued as scrip dividends	(7,084)	—	—	—	—	(7,084)
Reserve arising on scrip dividends	—	—	—	—	169,320	169,320
2009 final dividend	—	—	—	—	(247,914)	(247,914)
2010 interim dividend	—	—	—	—	(25,506)	(25,506)
At 31 December 2010	1,686,730	25,298	213,560	13	1,270,564	3,196,165

## Notes to the Consolidated Financial Statements

## 33 BORROWINGS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Long-term bank loans (a)				
Secured	<b>3,124,187</b>	3,252,842	—	—
Unsecured	<b>5,163,369</b>	5,064,098	—	—
	<b>8,287,556</b>	8,316,940	—	—
Short-term bank loans (a)				
Unsecured	<b>272,134</b>	762,059	—	115,000
	<b>8,559,690</b>	9,078,999	—	115,000
Current portion included in current liabilities	<b>(3,111,313)</b>	(3,417,200)	—	—
	<b>5,448,377</b>	5,661,799	—	115,000

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

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	<b>2,839,179</b>	2,655,142	—	—
Between one to two years	<b>2,308,762</b>	3,405,941	—	—
Between two to five years	<b>3,139,615</b>	1,814,562	—	—
After five years	—	441,295	—	—
	<b>8,287,556</b>	8,316,940	—	—

(a) The carrying amounts of the long-term and short-term bank loans approximate their fair value based on prevailing market interest rate. The effective interest rate is approximately 3.1% (2010: 2.3%).

(b) The borrowings are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	<b>5,900,317</b>	6,593,700	—	115,000
RMB	<b>2,478,642</b>	2,290,745	—	—
Others	<b>180,731</b>	194,554	—	—
	<b>8,559,690</b>	9,078,999	—	115,000

## 34 DEFERRED TAXATION

### Group

	2011 HK\$'000	2010 HK\$'000
Deferred taxation assets	40,848	35,149
Deferred taxation liabilities	(912,207)	(808,206)
	<b>(871,359)</b>	(773,057)

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 & a jointly controlled entity HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 31 December 2009	(72,041)	(580,487)	(71,174)	9,847	(713,855)
Exchange differences (Charged)/credited to profit and loss statement	(2,842)	(20,092)	(2,779)	869	(24,844)
Transferred to tax payable	(15,888)	328	1,683	6,935	(6,942)
Acquisition of additional interest of a subsidiary	—	—	3,996	—	3,996
	—	—	(31,412)	—	(31,412)
At 31 December 2010	(90,771)	(600,251)	(99,686)	17,651	(773,057)
Exchange differences Charged to profit and loss statement	(4,848)	(29,824)	(3,389)	1,842	(36,219)
	(16,876)	(32,714)	(2,726)	(9,767)	(62,083)
<b>At 31 December 2011</b>	<b>(112,495)</b>	<b>(662,789)</b>	<b>(105,801)</b>	<b>9,726</b>	<b>(871,359)</b>

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

Deferred taxation assets of HK\$103,408,000 (2010: HK\$107,129,000) arising from unused tax losses and other temporary differences totalling of HK\$524,552,000 (2010: HK\$578,035,000) have not been recognised in the financial statements. Unused tax losses of HK\$326,276,000 (2010: HK\$439,768,000) have no expiry date and the balance will expire at various dates up to and including 2016.

## Notes to the Consolidated Financial Statements

**34 DEFERRED TAXATION (cont'd)****Group (cont'd)**

As at 31 December 2011, deferred taxation liabilities of HK\$87,028,000 (2010: HK\$47,825,000) arising from withholding tax on undistributed profits of certain overseas subsidiaries have not been provided as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

**35 CREDITORS AND ACCRUALS**

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade creditors	<b>877,402</b>	340,476	—	—
Other creditors	<b>60,080</b>	44,757	<b>2,581</b>	2,561
Amounts due to non-controlling interests	<b>69,220</b>	124,407	—	—
Accrued operating expenses	<b>46,082</b>	52,247	—	—
Advanced proceeds on sale of properties	<b>2,220,919</b>	862,790	—	—
Rental deposits received	<b>89,977</b>	97,117	—	—
	<b>3,363,680</b>	1,521,794	<b>2,581</b>	2,561

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	<b>127,073</b>	177,584	<b>2,581</b>	2,561
RMB	<b>3,231,291</b>	1,337,967	—	—
Singapore dollar	<b>5,316</b>	6,243	—	—
	<b>3,363,680</b>	1,521,794	<b>2,581</b>	2,561

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

### 35 CREDITORS AND ACCRUALS (cont'd)

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

	2011 HK\$'000	2010 HK\$'000
Within one month	807,293	340,476
Two to three months	3,032	—
Over six months	67,077	—
	<b>877,402</b>	340,476

### 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	1,825,726	441,714
Share of losses/(profits) of jointly controlled entities	38,897	(41,349)
Share of losses of associated companies	11,328	55
Finance costs	38,384	19,064
Change in fair value of investment properties	(21,512)	(90,521)
Depreciation of property, plant and equipment	24,916	8,922
Amortisation of leasehold land and land use rights	1,312	60
Interest income	(66,540)	(26,430)
Loss on disposal of property, plant and equipment	52	82
Gain on disposal of an investment property	(165,036)	—
Write-back for mortgage loans receivable	—	(420)
Write-back of provision for construction costs	(2,400)	(10,088)
Gain on realisation of investments	(6,045)	—
Release of realised exchange difference from exchange reserve	—	(11,393)
Operating profit before working capital changes	1,679,082	289,696
Increase in development properties	(1,092,649)	(1,771,897)
Increase in debtors and prepayments	(81,933)	(45,995)
Increase in inventories	(9,557)	—
Decrease in mortgage loans receivable	814	561
Increase in creditors and accruals	1,756,958	807,034
Cash generated from/(used in) operations	2,252,715	(720,601)

## Notes to the Consolidated Financial Statements

**36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)****(b) Analysis of changes in financing**

	Share capital and share premium HK\$'000	Non- controlling interests HK\$'000	Borrowings HK\$'000	Total HK\$'000
At 31 December 2009	1,929,653	1,492,701	5,635,478	9,057,832
Change in exchange rates	—	29,083	69,703	98,786
Transfer from share option reserve	2,448	—	—	2,448
Share of profits of non-controlling interests	—	47,592	—	47,592
Acquisition of additional interests in a subsidiary from non-controlling interests	—	(766,614)	—	(766,614)
Disposal of a subsidiary	—	(1,364)	(1,526)	(2,890)
Transfer to revaluation reserve	—	1,256	—	1,256
Dividends payable to non-controlling shareholders	—	(27,857)	—	(27,857)
Cash flows from financing activities	9,711	122,122	3,375,344	3,507,177
At 31 December 2010	1,941,812	896,919	9,078,999	11,917,730
Change in exchange rates	—	56,424	112,925	169,349
Transfer from share option reserve	563	—	—	563
Share of profits of non-controlling interests	—	38,923	—	38,923
Dividends payable to non-controlling shareholders	—	(2,897)	—	(2,897)
Cash flows from financing activities	4,011	7,117	(632,234)	(621,106)
<b>At 31 December 2011</b>	<b>1,946,386</b>	<b>996,486</b>	<b>8,559,690</b>	<b>11,502,562</b>

**37 COMMITMENTS****Group**

	2011 HK\$'000	2010 HK\$'000
(a) <i>Contracted but not provided for</i> Commitments in respect of property developments of the Group and its jointly controlled entities	<b>2,800,599</b>	2,259,312

### 37 COMMITMENTS (cont'd)

#### Group (cont'd)

##### (b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:

	2011 HK\$'000	2010 HK\$'000
Within one year	479	1,095
Two to five years	—	479
	<b>479</b>	<b>1,574</b>

##### (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 :

	2011 HK\$'000	2010 HK\$'000
Within one year	289,487	269,209
Two to five years	368,372	345,228
After five years	102,741	9,817
	<b>760,600</b>	<b>624,254</b>

### 38 GUARANTEES

As of 31 December 2011, the Group and the Company has executed the following guarantees in favour of the following parties:

#### Group

	2011		2010	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
— jointly controlled entities	2,521,250	1,859,650	2,521,250	1,621,900
— associated companies	1,650,000	1,053,900	1,650,000	1,053,900
— properties buyers	26,150	26,150	—	—
	<b>4,197,400</b>	<b>2,939,700</b>	<b>4,171,250</b>	<b>2,675,800</b>

## Notes to the Consolidated Financial Statements

### 38 GUARANTEES (cont'd)

#### Company

	2011		2010	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
— subsidiaries	<b>8,304,181</b>	<b>6,134,181</b>	7,093,690	6,414,390
— jointly controlled entities	<b>2,521,250</b>	<b>1,859,650</b>	2,521,250	1,621,900
— associated companies	<b>1,650,000</b>	<b>1,053,900</b>	1,650,000	1,053,900
	<b>12,475,431</b>	<b>9,047,731</b>	11,264,940	9,090,190

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.

### 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:

	2011 HK\$'000	2010 HK\$'000
Fees	<b>668</b>	503
Salaries and other emoluments	<b>23,981</b>	21,041
Discretionary bonuses	<b>1,297</b>	3,806
Pension costs — defined contribution plans	<b>2,308</b>	2,054
	<b>28,254</b>	27,404

- (b) Rental income from an investee company amounted to HK\$2,139,000 (2010: HK\$2,037,000) based on the terms of rental agreement between the parties.
- (c) On 11 July 2011, Grand Spark Limited (a wholly-owned subsidiary of the Company) completed the transaction for selling three property units to executive directors of the Company with an aggregate consideration of HK\$255,990,000.

## 40 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES 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		
<b>Directly held by the Company</b>					
<b>Incorporated in the British Virgin Islands</b>					
			US\$		
Sutimar Enterprises Limited	Hong Kong	100	1	100	Investment holding
<b>Indirectly held by the Company</b>					
<b>Incorporated in Hong Kong</b>					
			HK\$		
Bright City Development Limited	Hong Kong	2	1	100	Property development
Chely Well Limited	Hong Kong	1,000	1	72	Investment holding
Chinapex Company Limited	Singapore	1,000	10	100	Property investment and development
China Win Enterprise Limited	Hong Kong	5,000,000	1	100	Investment holding
Colour Day International Limited	Hong Kong	2	1	100	Investment holding
Enjoy International Limited	Hong Kong	1	1	100	Investment holding
Full Wealth Limited	Hong Kong	2	1	100	Property development
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	Guangzhou	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
Orient Profit Limited	Hong Kong	1	1	100	Property development
Origin World Limited	Hong Kong	2	1	100	Property investment
Perfect Development Limited	Hong Kong	2	1	100	Property development
Polynice Limited	Hong Kong	2	1	100	Provision of finance
Sun City Limited	Hong Kong	2	1	100	Property management
Union Profits Limited	Hong Kong	2	1	100	Property investment and development
Victory Way Limited	Hong Kong	9,901,000	1	99.99	Investment holding
Wealthy Vision 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

## Notes to the Consolidated Financial Statements

## 40 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES 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		
<b>Indirectly held by the Company (cont'd)</b>					
<b>Incorporated in the British Virgin Islands</b>					
			US\$		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Cyber Point Assets 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
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
Ontrack Developments Limited	Hong Kong	10	1	100	Investment holding
Proper Land Limited	Hong Kong	1	1	100	Investment holding
Ragon Properties Limited	Hong Kong	10	1	100	Investment holding
Repton Developments 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
<b>Incorporated in Mainland China</b>					
<b>Wholly-owned foreign enterprise</b>					
			<b>Registered Capital</b>		
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
Tianjin Jia Run Hua Property Development Co., Ltd.	Tianjin		US\$29,880,000	100	Property development
Tianjin JiaRunHe 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
Shanghai Jia Zhao Real Estate Development Co.,Ltd.	Shanghai		US\$119,500,000	100	Property development
<b>Cooperative joint venture</b>					
廣州滙城房地產開發有限公司	Guangzhou		HK\$600,000,000	99.99	Property development
廣州市越華房地產發展有限公司	Guangzhou		HK\$187,000,000	100	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
<b>Equity joint venture</b>					
Shanghai Jia Hui Da Real Estate Development Co., Ltd.	Shanghai		US\$53,000,000	69.6	Property development and investment
Shanghai Jia Gang Cheng Real Estate Development Co., Ltd.	Shanghai		US\$13,000,000	95	Property development
Shanghai Jiashen Real Estate Development Co., Ltd.	Shanghai		US\$126,000,000	99	Property development
上海凱通文安建設開發有限公司	Shanghai		RMB234,000,000	53.61	Property development

## 40 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (cont'd)

### (b) Jointly Controlled Entities

Name of company	Principal place of operation	Number of ordinary shares	Issued share capital		Effective percentage of equity held by the Group	Principal activities
			Par value per share	Registered capital		
<b>Directly held by the Company</b>						
<b>Incorporated in Mainland China</b>						
Shanghai Baoland Co., Ltd.	Shanghai			RMB717,674,797	41.5	Property development
<b>Indirectly held by the Company</b>						
<b>Incorporated in Hong Kong</b>						
Anglers' Bay Property Management Company Limited	Hong Kong	2		HK\$ 1	50	Property management
Golden Famous International Limited	Hong Kong	2		1	25	Property development
Prime Force Limited	Hong Kong	2		1	50	Property development
Top Falcon Limited	Hong Kong	2		1	50	Provision of finance
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
<b>Incorporated in the British Virgin Islands</b>						
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	Number of ordinary shares	Issued share capital		Effective percentage of equity held by the Group	Principal activities
			Par value per share	Registered capital		
<b>Indirectly held by the Company</b>						
<b>Incorporated in Hong Kong</b>						
King Regent Limited	Hong Kong	1		HK\$ 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
<b>Incorporated in the British Virgin Islands</b>						
Garwin Investment Limited	Hong Kong	1,000		US\$ 1	15	Investment holding
Nimble Limited	Hong Kong	100		1	15	Investment holding
Vantage Plus Investment Limited	Hong Kong	100		1	15	Investment holding

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

# Schedule of the Group's Significant Properties

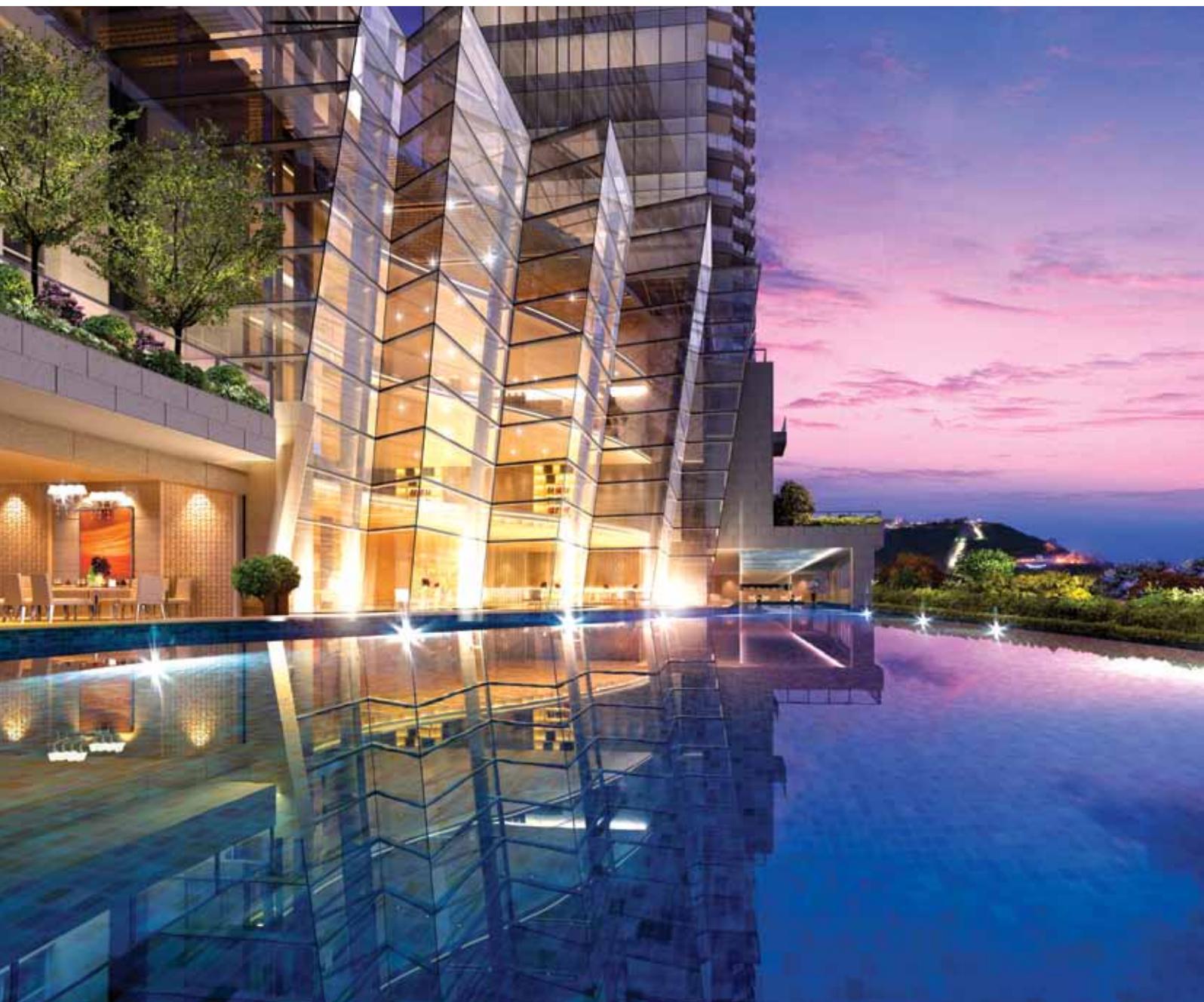
	Type of Property	Gross Floor Area sq. metres	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
(Approximately)						
<b>INVESTMENT AND OTHER PROPERTIES</b>						
<b>Singapore</b>						
San Centre, 171 to 187 Chin Swee Road, Singapore	Office	5,747 <sup>(1)</sup>	100	2068	Completed	Existing
<b>Hong Kong</b>						
K. Wah Centre, 28th, 29th and 30th Floors, 191 Java Road, North Point	Office	2,926	100	2106	Completed	Existing
<b>Mainland China</b>						
Shanghai K. Wah Center, Lot No. 26, Street No. 6, Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	69.6	2047	Completed	Existing
<b>DEVELOPMENT PROPERTIES</b>						
<b>Hong Kong</b>						
The Great Hill, No. 8 Tung Lo Wan Hill Road, Sha Tin	Residential	2,300 <sup>(2)</sup>	100	2054	Completed	Existing
Chantilly, No. 6 Shiu Fai Terrace, Hong Kong	Residential	7,000 <sup>(2)</sup>	100	2070	Completed	Existing
2 Grampian Road, Kowloon	Residential	6,100 (expected)	100	2047	Foundation	2013
Tai Po Town Lot No. 188 at Pak Shek Kok, Reclamation Phase 1, Site C, Tai Po, New Territories	Residential	83,600 <sup>(2)</sup>	25	2057	Construction	2012
The Coronation, Kowloon Inland Lot No. 11073 at Junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road	Residential/ Commercial	70,000 <sup>(2)</sup>	15	2057	Construction	2012
Providence Bay, Tai Po Town Lot No. 186 at Pak Shek Kok Development Area, Phase I, Site B, Tai Po, New Territories	Residential	78,400 <sup>(2)</sup>	15	2057	Construction	2012
Marinella, Aberdeen Inland Lot No. 451 at Welfare Road, Aberdeen, Hong Kong	Residential	69,300 <sup>(2)</sup>	35	2057	Construction	2012
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Planning	2013 and beyond
Tai Po Town Lot No. 201, Tai Po	Residential	67,000	15	2059	Foundation	2014
<b>Mainland China</b>						
Xinhua Zhen, Huadu City, Guangdong	Mix Use	830,000	99.99	2034 to 2068	Construction	2013 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	Construction	2012 and beyond
廣州市花都區建設北路地塊	Residential	43,000	100	2077	Construction	2012
Lot A&B, No. 68 Jianguo Xi Road, Xuhui District, Shanghai	Mix Use	140,000	100	2065	Construction	2013 and beyond
Plot Phase III of Yanjiazhai, Jingan District, Shanghai	Residential	100,000	99	2072	Construction	2013 and beyond
Lot No. 701 Guangzhong Road, Zhabei District, Shanghai (Phase III)	Residential	64,000	100	2073	Construction	2012
Plot B3, B4 Zhujiajiao Qingpu District, Shanghai	Residential/ Commercial	70,000	100	2050 to 2080	Construction	2013 and beyond
上海市閔行區吳涇鎮385街坊	Residential/ Commercial	168,000	100	2048 to 2078	Construction	2013 and beyond
上海市閘北區北站街道43號街坊10丘	Commercial	20,000	53.61	2056	Planning	2014 and beyond

Note (1): Floor area of 1,964 sq. metres of San Centre is held for sale.

(2): For certain properties, Gross Floor Area includes covered area of all salesable units and their respective share of common area as referred to or to be referred to in sales brochures.



Project  
Gallery  
項目一覽





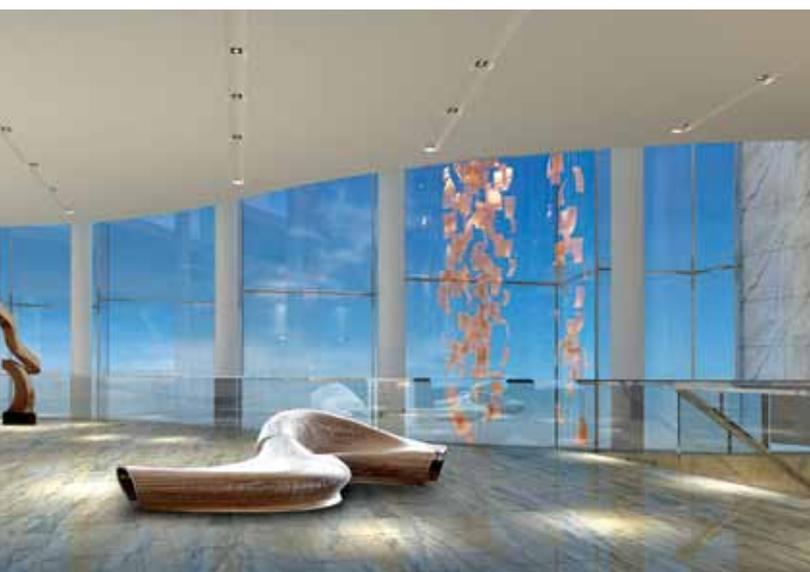
## Marinella, Hong Kong 香港深灣9號

Type 類別：  
Luxury sea view residential development 臨海豪宅

Location 位置：  
Welfare Road, Aberdeen  
香港仔惠福道

Gross Floor Area 總樓面面積：  
69,300 sqm/平方米

As of March 2012







## Chantilly, Hong Kong 香港嘉柏薈

Type 類別：  
Low-rise luxury residential development 低密度豪宅

Location 位置：  
Shiu Fai Terrace, Stubbs Road, Hong Kong  
香港司徒拔道肇輝台

Gross Floor Area 總樓面面積：  
7,000 sqm/平方米

# Providence Bay, Hong Kong 香港天賦海灣

Type 類別: **Luxury residential development** 超級豪宅

Location 位置: **Tai Po Town Lot No.186**  
大埔市地段186號

Gross Floor Area 總樓面面積: **78,400 sqm/平方米**





As of March 2012





# The Coronation, Hong Kong 香港御金·國峯

Type 類別 : **Luxury residential / commercial development** 超級豪宅 / 商業

Location 位置 : **Kowloon Inland Lot No. 11073, West Kowloon**  
西九龍內地段11073號

Gross Floor Area 總樓面面積: **70,000 sqm/平方米**







As of March 2012

## The Palace, Shanghai 上海嘉御庭

Type 類別:

Luxury residential development and upscale commercial facilities  
豪華住宅及高級商業設施

Location 位置:

Jianguo Xi Road, Xuhui District, Shanghai  
上海市徐匯區建國西路

Gross Floor Area 總樓面面積:

140,000 sqm/平方米





## Grand Summit, Shanghai 上海嘉天匯

Type 類別：  
Contemporary residential development  
時尚高級住宅

Location 位置：  
Urumqi Bei Road, Jingan District, Shanghai  
上海市靜安區烏魯木齊北路

Gross Floor Area 總樓面面積：  
100,000 sqm/平方米



As of March 2012



## The Legend (Shanghai Westwood III) 嘉悦天地（上海慧芝湖花園第三期）

Type 類別：

Large-scale residential development  
大型住宅項目

Location 位置：

Danling International Community, Zhabei District, Shanghai  
上海閘北區大寧國際社區

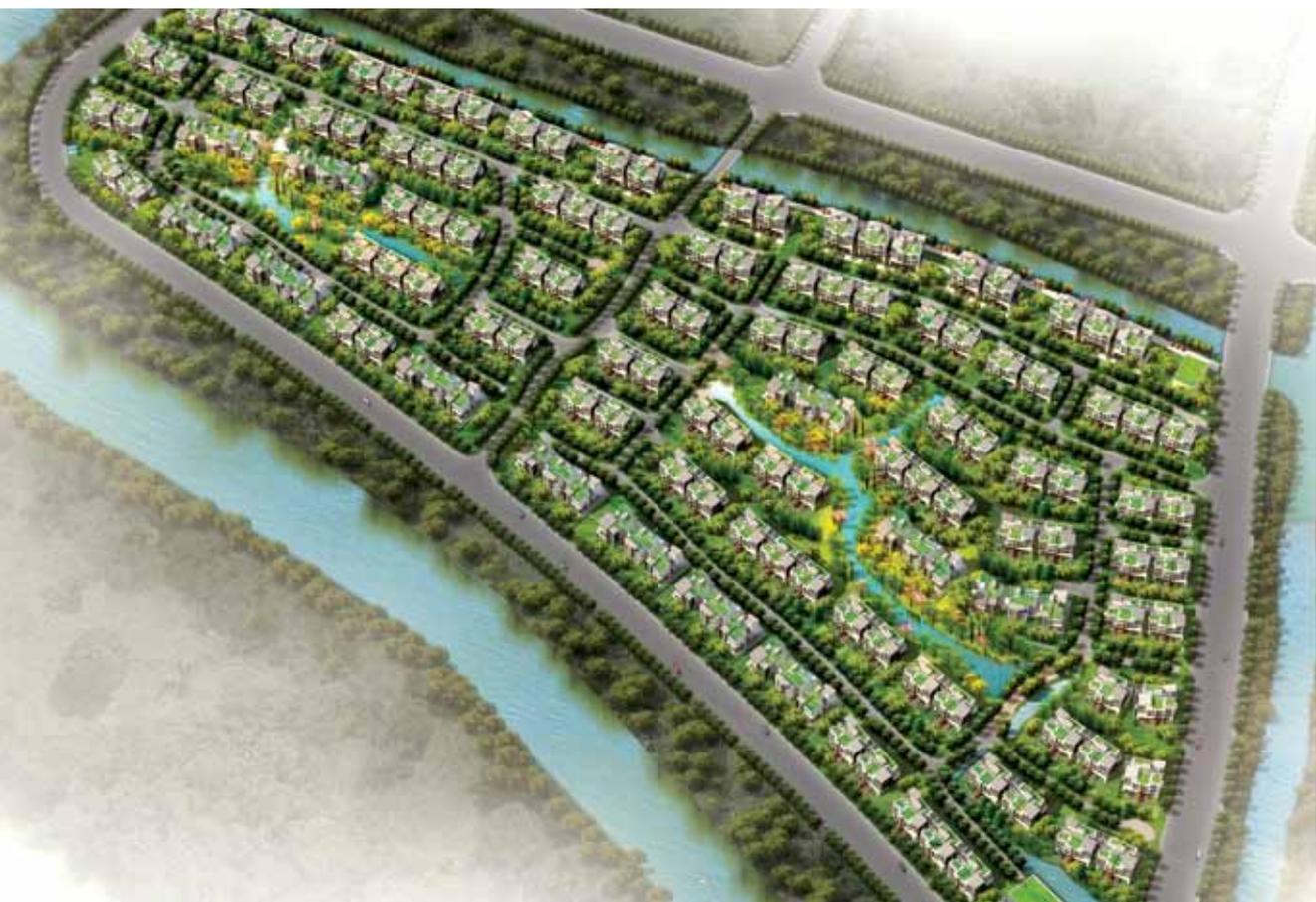
Gross Floor Area 總樓面面積：

100,000 sqm/平方米





As of March 2012





## Qingpu District Project 上海青浦區項目

Type 類別：

**Low-rise residential development with commercial facilities**  
低密度住宅及商業設施

Location 位置：

**Plot B3,B4, Zhujiajiao, Qingpu District, Shanghai**  
上海青浦區朱家角B3,B4地塊

Gross Floor Area 總樓面面積：  
**70,000 sqm/平方米**



As of March 2012



## Upstream Park, Shanghai 上海嘉怡水岸

Type 類別:  
**Integrated residential and commercial development**  
高級商住綜合項目

Location 位置:  
**Wujing, Minhang District, Shanghai**  
上海閔行區吳涇鎮

Gross Floor Area 總樓面面積:  
**168,000 sqm/平方米**



As of March 2012





## Le Palais, Guangzhou 廣州嘉爵園

Type 類別：  
**Residential development**  
住宅項目

Location 位置：  
**Jianshebei Road, Huadu District, Guangzhou**  
廣州花都區建設北路

Gross Floor Area 總樓面面積：  
**46,000 sqm/平方米**



# Huadu Jiahua Guangchang, Guangzhou

## 廣州花都嘉華廣場

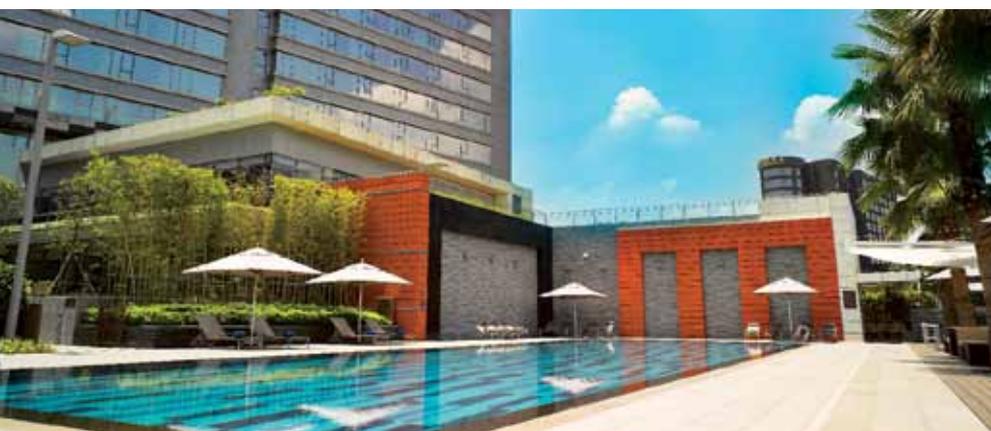
Type 類別:

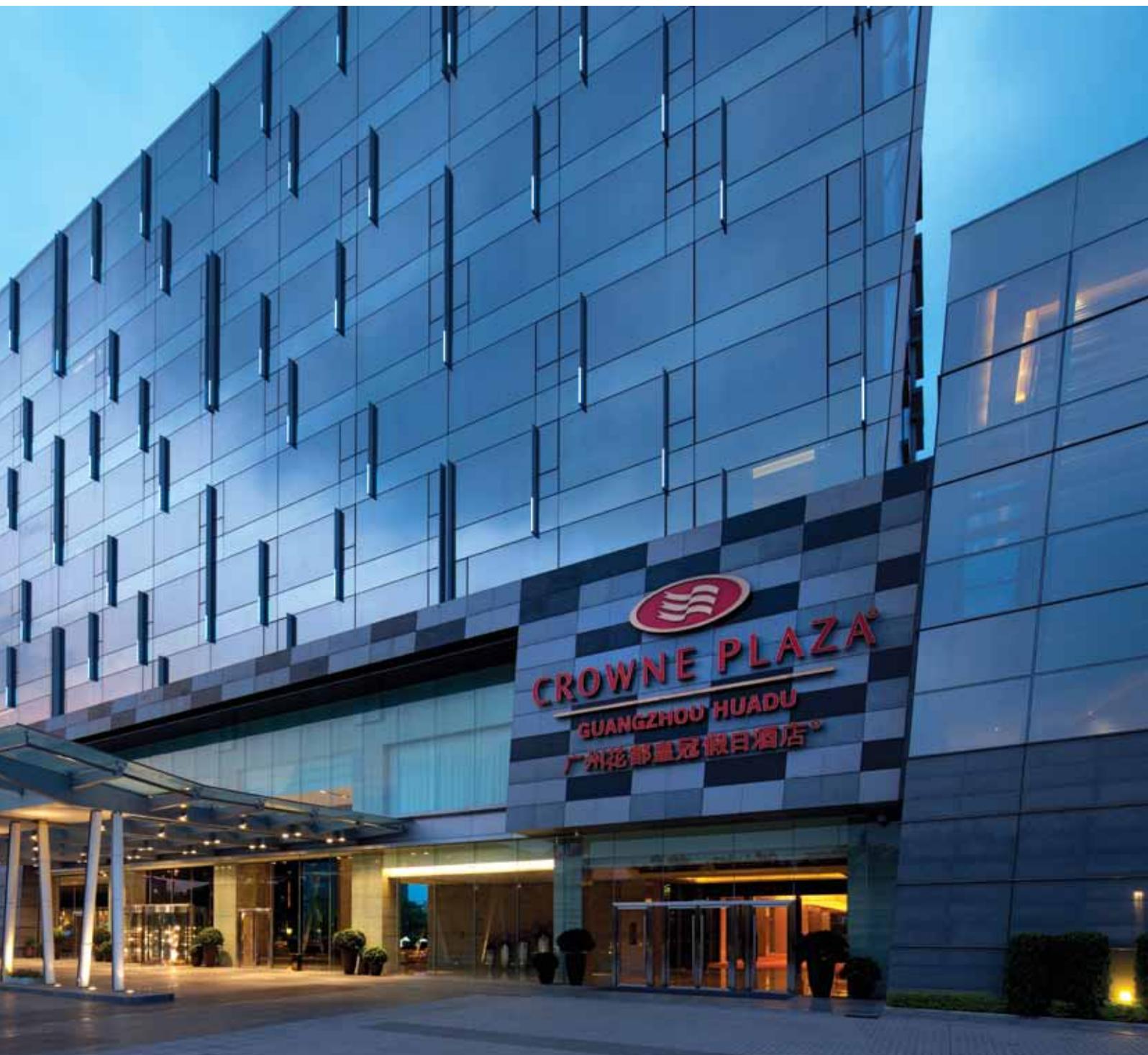
Integrated development (First phase: Crowne Plaza Guangzhou Huadu and office)  
綜合發展項目(第一期:廣州花都皇冠假日酒店及寫字樓)

Location 位置:

Yingbin Road North, Xinhua Town, Huadu District, Guangzhou  
廣州花都區新華鎮清布村迎賓大道北

Gross Floor Area 總樓面面積:  
269,000 sqm/平方米









As of March 2012

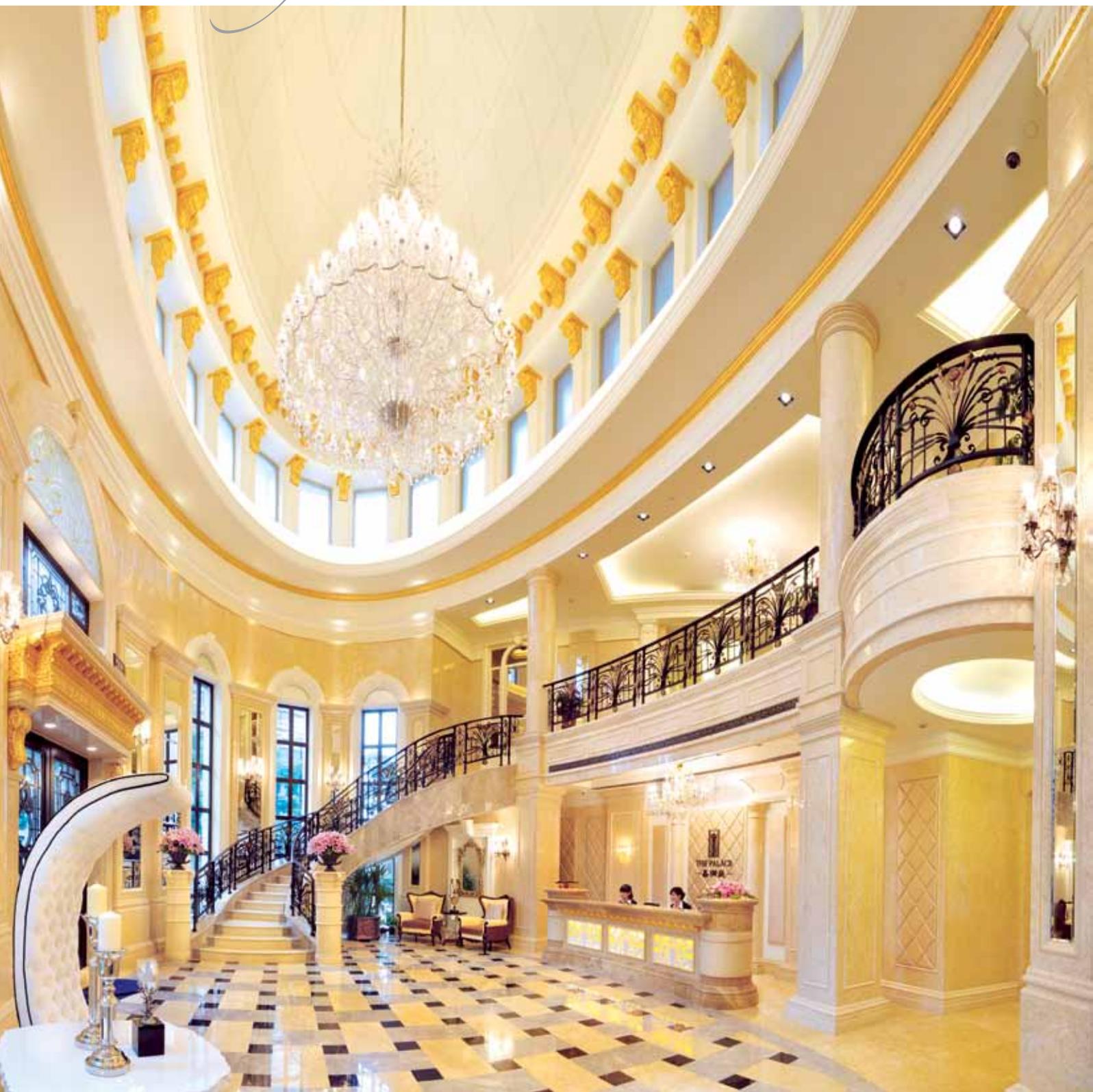
## Huadu Mega Intergrated Project, Guangzhou 廣州花都新華鎮超大型國際社區

Type 類別：  
Large-scale integrated community (First phase: J Metropolis)  
大型綜合社區(第一期：嘉匯城)

Location 位置：  
Xinhua Zhen, Huadu District, Guangzhou  
廣州花都區新華鎮

Gross Floor Area 總樓面面積：  
830,000 sqm/平方米 (First phase 第一期：77,000 sqm/平方米)

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