

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

Excel
Through
穩行求拓 | 至精致遠
Enhancing
Exquisiteness



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。

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，物業涵蓋豪華住宅、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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Hall of Achievement 傑出成就



J RESIDENCE 嘉薈軒

Merit in Quality Building Award 2010
香港住宅項目優異獎 — 優質建築大獎2010



THE GREAT HILL 嘉御山

Luxury Residential Project
Perfect Life Award by Wen Wei Po
頂級品位豪宅 — 文匯報美好生活
中國房地產風雲榜

Certificate of Excellence
HSBC Living Business Green Achievement Award
綠色成就獎傑出獎狀 — 匯豐營商新動力



SHANGHAI WESTWOOD 上海慧芝湖花園

Gold Award in International Quality
The 8th Most Popular Property Projects Awards
by Jie Fang Daily Group, Xin Wen Bao She
國際品質金獎 — 解放日報報業集團、
新聞報社上海第八屆最受歡迎樓盤評選



SHANGHAI WESTWOOD II 嘉寧薈

Sophisticated Living Residential Project
Perfect Life Award by Wen Wei Po
典範人居樓盤獎 — 文匯報美好生活中國房地產風
雲榜

Property Providing Best Living Experience
2009–2010 Residential Projects Popularity Vote
by Sina
上海最佳居住體驗住宅 — 新浪樂居2009–2010首
屆樂居信心人氣榜

Silver Award
The 6th Election of Shanghai Excellent Housing
by Shanghai Real Estate Trade Association
銀獎 — 上海市房地產行業協會第六屆上海市優秀
住宅評選



THE LEGEND (SHANGHAI WESTWOOD III) 嘉悅天地

Best Property Project 2010
by Xin Wen Bao She, Shanghai Evening Post
2010年度品質樓盤 — 新聞報社、新聞晚報

Best Community Living Residential Project 2010
by Jie Fang Daily Group, Shanghai Morning Post
2010上海國際生活典範樓盤 — 解放日報報業集團、
新聞晨報



KWIH 嘉華國際

Most-preferred Property Enterprise
The 8th Most Popular Property Projects Awards
by Jie Fang Daily Group, Xin Wen Bao She
上海最受歡迎地產企業公民 — 解放日報報業集團、新聞報社上海第八屆最受歡迎樓盤評選

Most-recognized Property Enterprise 2010
by Xin Wen Bao She, Shanghai Evening Post
2010年度最具口碑地產企業獎 — 新聞報社、新聞晚報

Best Property Enterprise 2010
by Jie Fang Daily Group, Shanghai Morning Post
2010上海地產企業大獎 — 解放日報報業集團、新聞晨報

Enterprise of the Year 2010
by uuufun.com, uuufun.com China Property
Research Centre
2010年度風雲明星企業 — 優房網、優房中國房地產研究中心



SALES & PROPERTY MANAGEMENT 銷售及物業管理

Influential Property Practitioner 2010
by Xin Wen Bao She, Shanghai Evening Post
2010年度上海地產影響力經理人 — 新聞報社、新聞晚報

Most Influential Property Practitioner
The 8th Most Popular Property Projects Awards
by Jie Fang Daily Group, Xin Wen Bao She
最具影響力地產職業經理人 — 解放日報報業集團、新聞報社上海第八屆最受歡迎樓盤評選

Innovator of Property Sector 2010
by Jie Fang Daily Group, Shanghai Morning Post
2010上海地產年度創新人物
解放日報報業集團、新聞晨報

Property Practitioner 2010
The 7th Internet Popularity Vote by soufun.com
上海房地產2010年度職業經理人
搜房網2010年第七屆房地產網絡人氣榜評選

Most Innovative Property Practitioner
The 3rd China Real Estate Shanghai Annual
Conference by Oriental Morning Post, Wenhui
Xinmin United Press Group
最具創新力職業經理人傳媒大獎 — 東方早報、上海文匯新民聯合報業集團（第三屆）中國上海地產年會傳媒大獎評選



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

Ms. Claudia Cheung Man Wan

NON-EXECUTIVE DIRECTORS

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

Dr. Robin Chan Yau Hing*, *GBS, LLD, JP*

Mr. Robert George Nield*

Dr. William Yip Shue Lam*, *LLD*

Professor Poon Chung Kwong*, *GBS, PhD, DSc, JP*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan, *LLM, ACIS, ACS*

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

Standard Chartered Bank

SOLICITORS

Baker & McKenzie

Mayer Brown JSM

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

P.C. Woo & Co.

Reed Smith Richards Butler

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 REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRARS

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

BNY Mellon Shareowner Services

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

Reuters : 0173.HK

FINANCIAL PERFORMANCE

	2010 (HK\$ million)	2009 (Restated) (HK\$ million)	Change
For the year ended 31 December			
Revenue	896	2,627	-66%
Profit Attributable to Equity Holders	193	919	-79%
Total Comprehensive Income Attributable to Equity Holders	1,385	1,244	11%
Basic EPS (HK cents)	7.6	37.2	-80%
DPS (HK cents)	2	11	-82%

SOLID FINANCIAL POSITION

	2010 (HK\$ million)	2009 (Restated) (HK\$ million)	Change
As at 31 December			
Total Assets	23,258	18,166	28%
Cash and Bank Deposits	3,235	2,274	42%
Gearing Ratio*	29%	21%	8% pt
NAV per Share (HK\$)	4.0	3.6	11%

* The ratio of total loans outstanding less cash and bank deposits to total assets excluding cash and bank deposits

PRIME ASSET REPLENISHMENT

Location	Gross Floor Area (sqm)	Group's Interest
Hong Kong Tai Po Town Lot No. 201	67,000	15%
No. 30 Po Shan Road, Mid-Levels	3,000	50%
Shanghai Plot B3, B4, Zhujiajiao, Qingpu District	70,000	100%
Shanghai K. Wah Centre	72,000	69.6%

Five Years Summary

CONSOLIDATED PROFIT AND LOSS STATEMENT

	2006	2007	2008	(Restated) 2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	275,956	4,799,504	1,152,989	2,627,182	896,056
Profit/(loss) before tax	1,008,763	2,850,701	(406,998)	2,047,952	441,714
Taxation charge	(307,019)	(220,621)	(164,869)	(768,465)	(194,362)
Profit/(loss) from continuing operations	701,744	2,630,080	(571,867)	1,279,487	247,352
Profit/(loss) from discontinued operation	—	—	—	2,905	(6,621)
Non-controlling interests	(472,041)	(178,938)	(45,380)	(363,519)	(47,592)
Profit/(loss) attributable to equity holders of the Company	229,703	2,451,142	(617,247)	918,873	193,139
Earnings/(loss) per share (HK cents)	9.5	100.3	(25.0)	37.2	7.6
Dividend per share (HK cents)	3.5	30.5	2.0	11.0	2.0

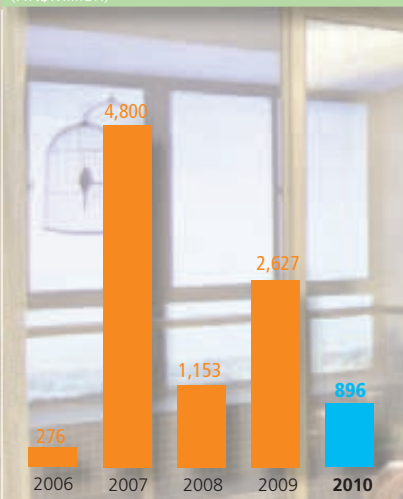
CONSOLIDATED BALANCE SHEET

	2006	2007	2008	(Restated) 2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,491,746	3,799,234	3,871,113	4,674,551	5,109,299
Associated companies and jointly controlled entities	575,502	700,916	2,996,863	3,131,260	3,801,951
Other non-current assets/investments	4,486,676	1,198,107	177,091	618,436	1,525,786
Net current assets	2,206,072	7,685,719	4,793,691	7,188,725	7,138,393
Employment of capital	10,759,996	13,383,976	11,838,758	15,612,972	17,575,429
Financed by:					
Share capital	242,995	245,869	247,038	247,038	255,082
Reserves	7,221,368	8,256,702	7,458,661	8,707,479	9,953,423
Shareholders' funds	7,464,363	8,502,571	7,705,699	8,954,517	10,208,505
Non-controlling interests	856,817	1,056,774	1,198,556	1,492,701	896,919
Long-term liabilities	1,914,731	3,297,252	2,325,615	4,427,579	5,661,799
Non-current liabilities	524,085	527,379	608,888	738,175	808,206
Capital employed	10,759,996	13,383,976	11,838,758	15,612,972	17,575,429
Net assets value per share (HK\$)	3.07	3.46	3.12	3.62	4.00

Note: The summary of 2006, 2007 and 2008 have not been restated following the adoption of certain revised Hong Kong Financial Reporting Standards in 2010.

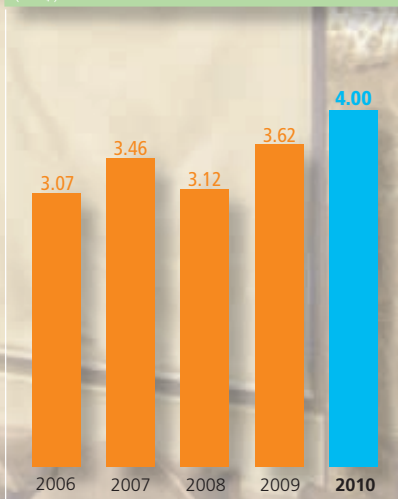
Revenue

(HK\$ Million)



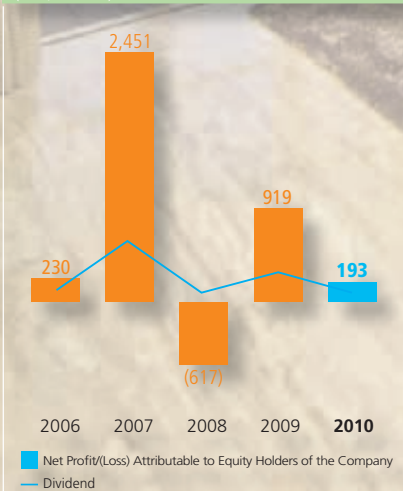
Net Assets Value Per Share

(HK\$)



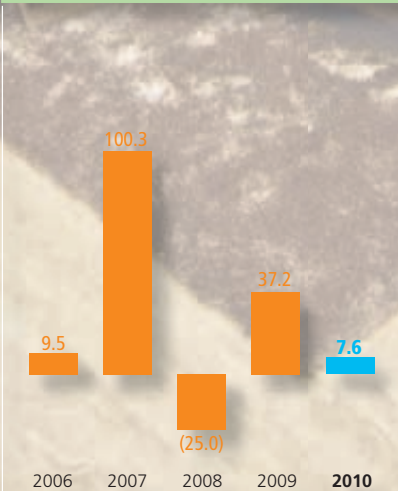
Dividend and Net Profit/(Loss) Attributable to Equity Holders of the Company

(HK\$ Million)



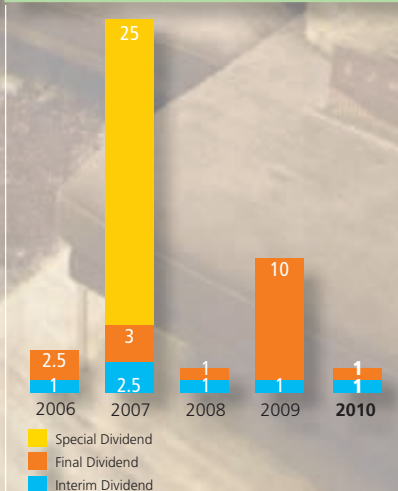
Earnings/(Loss) Per Share

(HK Cents)



Dividend Per Share

(HK Cents)



Statement from the Chairman



Dear Shareholders,

In 2010, China witnessed a strong GDP growth of 10.3%, making it the world's second largest economy. Meanwhile, Hong Kong staged a recovery with unemployment rate dropping to the pre-financial tsunami level. On the back of thriving economic development with rising per capita income and accelerating pace of urbanization, we see huge demand for quality homes in Mainland China. On the other hand, luxury residences in Hong Kong continued to be much sought after by local and overseas buyers due to high liquidity against a low-interest rate backdrop. While our development of niche residential projects seems to offer the perfect answer to such demands in both Mainland China and Hong Kong, we had to face with short-term uncertainties, as both the Central Government and the Hong Kong SAR Government have introduced regulatory measures to curb speculation in the property markets.

SOLID BUSINESS DEVELOPMENT BACKED BY STRINGENT OPERATION

In response to various tightening measures including additional stamp duties and tightened mortgage requirements for luxury residences in Hong Kong and interest rate hikes, purchase quotas, loan quotas and new property taxes in Mainland China, the Group swiftly adjusted its sales and fiscal strategies in a prudent manner. During the period under review, we launched two completed projects, The Great Hill in Hong Kong and Shanghai Westwood II, as well as The Legend, Shanghai Westwood III which was under development. The Group sustained stable performance in its core businesses for the full year despite changes in market sentiments, reporting revenue and profit of HK\$900 million and HK\$200 million respectively. Our income for the year was mainly derived from sales revenue from the aforesaid completed projects, while Shanghai K. Wah Centre was also making stronger contributions to rental income as a result of an increase in its stake to approximately 70% in early 2010 that broadened the base of recurrent income of the Group. For the RMB1.6 billion contracted sales recorded for The Legend, which was launched towards the end of last year, they would be recognized upon its completion.

BRAND EXCELLENCE COMPLEMENTED BY SHREWD STRATEGIES

The Group is committed to building excellence which is well appraised in the property markets of both Mainland China and Hong Kong. We provide buyers with exquisite homes that command added value with strong potential for long-term growth, drawing on the wealth of our experience and our brand reputation. Strong market recognition for our brand name and the quality of property projects is underpinned by the honours and awards garnered by Shanghai Westwood II during the year under review, including the Gold Award in International Quality of The Most Popular Property Awards in Shanghai, following strong sales in 2009. Sales of The Legend were equally impressive, with close to half of the offered units sold on the very first day of market launch late last year, credit to the Group's flexibility to capture the robust demand for medium- to high-end residences. Such encouraging sales have further bolstered our financial resources to withstand market turbulence.

LAUNCHING PRIME DEVELOPMENTS AT OPPORTUNE TIMING

In the coming years, we will continue to launch different types of high-end developments in Hong Kong, Shanghai and Guangzhou at the right timing to ensure stable growth in sales revenue and profit. These will include Chantilly on Stubbs Road, a super

luxury development on the Hong Kong Island which commands a panoramic view of the Happy Valley racecourse, as well as a large-scale luxurious residential project near the Aberdeen Marina Club in Sham Wan. In Shanghai, our new offerings will feature The Palace in Xuhui District, Grand Summit in Jingan District and Upstream Park in Minhang District, in addition to The Legend, Shanghai Westwood III. In Guangzhou, we are anticipating the grand opening of our first five-star hotel in Huadu midway through the year, while Le Palais on Jianshebei Road, a high-end residential complex, is also scheduled for completion within the year. After the successful hosting of the World Expo and the Asian Games respectively, Shanghai and Guangzhou are enjoying significantly improved infrastructure and amenities in surrounding regions, much to the benefit of the Group's project developments. Furthermore, all sites under planning, including the Zhujiyajiao plot in Shanghai acquired early last year by way of sole proprietorship, will suffice the Group's development for at least the coming five years.

FLEXIBILITY AMIDST REINFORCED FUNDAMENTALS

In the year ahead, uncertainties remain with the possibility of the Mainland and the Hong Kong governments resorting to further regulatory measures in order to contain inflation and prevent asset bubbles. For Hong Kong, there will be the additional risk of interest rates and capital flow taking a reverse direction. Nonetheless, the Group remains cautiously optimistic about the prospects of both markets in the medium- to long-term. In addition to sound economic fundamentals and resurgence in the external economic environment, Hong Kong will also benefit from the increasing influx of potential buyers from the Mainland, as governments on both sides of the border are vigorously driving regional economic integration with strengthened transport links. Meanwhile, the increase in land supply announced by the Government to alleviate the shortage problem will also present more opportunities to property developers. In the Mainland, long-term growth of the property market is backed by the enormous demand for home ownership, including first-time purchases and trade-ups, driven by ongoing economic expansion, faster pace in urbanization and old-district renovation.

In the meantime, the Group will stay alert to any changes in adherence to prudent financial and risk management, with a view to enhancing our resilience to market volatility. Looking ahead, we will continue to explore prime investment opportunities in Hong Kong, Yangtze River Delta and Pearl River Delta, to fuel future growth and deliver stronger returns to shareholders.

ENHANCING CORPORATE GOVERNANCE

While high-calibre talents provide the driving force behind the Group's development, sound corporate governance gives a solid backing for protecting and enhancing shareholders' interests. The Board of Directors and the management of the Group play important roles in these two aspects. I am delighted that the membership of our Board, charged with the important responsibilities of independent supervision and strategic planning, is assumed by leaders in various professions and social sectors. In this connection, our profound gratitude goes to Sir David Akers-Jones and Mr. Michael Leung, who resigned as Independent Non-executive Director and Non-executive Director respectively, on 30 September 2010 and 1 March 2011, for their invaluable contributions to the Group. We also mourn in deep sympathy the passing away of Dr. The Hon. Leo Lee, a former Independent Non-executive Director, whose contributions will long be remembered.

On top of the duties of policy implementation, supervision and accountability to the Board, the Group's management also play an important role in imparting the culture and values of the Group, working hand in hand with staff members to embrace the challenge of each day. On behalf of all members of the Board, I would like to express sincere appreciation to all staff for their dedication and commitment during the past year, and I look forward to delivering sound results through concerted efforts in the years to come.

Dr. Che-woo Lui

Chairman

29 March 2011

Management Discussion and Analysis

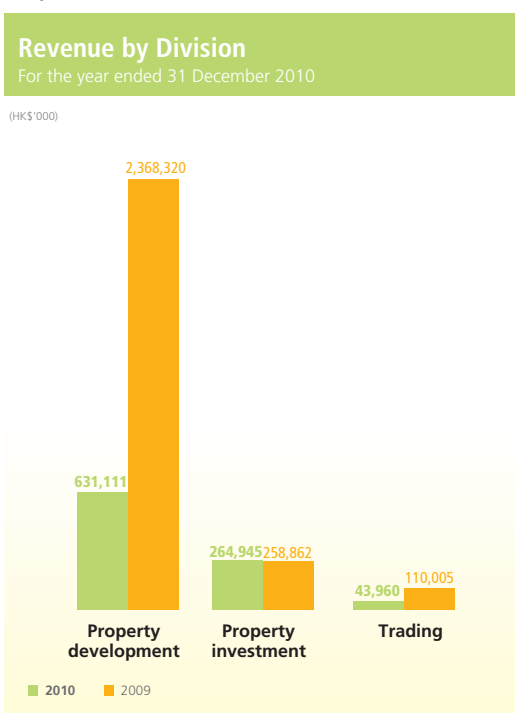
REVIEW OF OPERATIONS

Revenue and profit for the year ended 31 December 2010 were HK\$896 million and HK\$241 million respectively, as compared to the restated amount of HK\$2,627 million and HK\$1,282 million respectively of last year. The decrease was mainly because in 2010, only the sales of the remaining units of the Great Hill project and Shanghai Westwood Phase II were recognised while pre-sale results from Shanghai Westwood Phase III in the last quarter could only be recognised upon the completion of the units. During the year, the Group ceased to carry on trading of plant and machinery in Japan following the disposal of a subsidiary.

	Continuing operations						Discontinued operation
	Property development			Property investment	Others	Total	
	HK 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)
Operating profit/(loss)						328,963	(7,665)
Year ended 31 December 2009							
Revenue	162,290	2,206,030	—	258,862	—	2,627,182	110,005
Adjusted EBITDA	58,026	1,169,255	(1,433)	225,652	(120,014)	1,331,486	5,039
Other income and expenses/gains, net						107,207	78
Depreciation and amortisation						(6,730)	(248)
Operating profit						1,431,963	4,869

Mainland China

The Group's property development projects in Shanghai and Guangzhou are under construction or development and works are underway with plans for completion over the next few years. During the year, the Group acquired a piece of land in Shanghai Qingpu District and completed an acquisition of a company holding a 30% equity interest in our investment property, Shanghai K. Wah Centre, thereby increasing our effective interest in the property to 69.6%.



(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 luxurious project, three blocks of Phase III were launched in November 2010 attracting a large number of buyers. Nearly 80% of the three blocks have been pre-sold within a short period of time providing satisfactory cash inflows to the Group. Construction work for the Phase III (approximately 100,000 square metres) is in progress and the development is expected to be completed in late 2011.

SHANGHAI

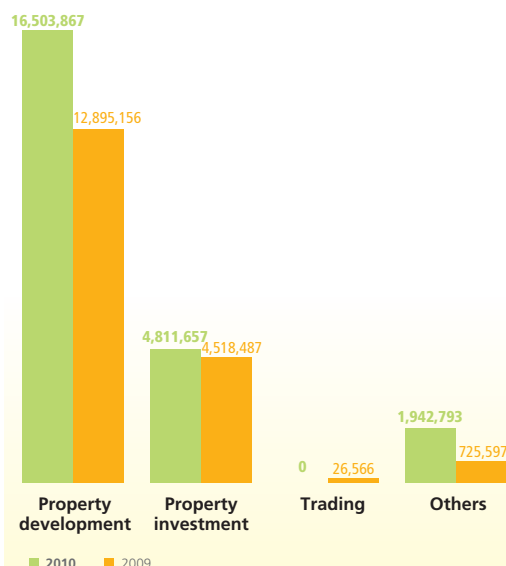


- 1 Shanghai Westwood
- 2 Jingan District Project
- 3 Xuhui District Project
- 4 Shanghai K. Wah Centre
- 5 Minhang District Project
- 6 Qingpu District Project

Employment of Total Assets

As at 31 December 2010

(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, in which the Group plans to develop into an integrated development with luxury residential apartments and high-class commercial facilities. Construction work is underway and is scheduled for the launch in 2011 / 2012.

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

Total GFA of this luxurious 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 have been topped out and pre-sale of certain units is planned to be launched in 2011 / 2012.

- (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. Construction work



- 1 Jianshebei Road Project, Huadu District
- 2 Yingbin Road Project, Huadu District
- 3 Xinhua Zhen Project, Huadu District

of Phase I is underway and its pre-sale is expected to be launched in 2011/2012 with targeted completion in 2012.

- (v) *Qingpu District Project (100% owned)*
Located in the Zhujiyajiao Town, Qingpu District, with a total GFA of approximately 70,000 square metres, this project is planned to develop into several blocks of low-rise residential buildings with shopping and commercial facilities. Design work has commenced.

Guangzhou

- (vi) *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 following the planning changes by the government. The project is planned for a composite development with hotel, offices and premium residential towers. Completion for the hotel and offices is scheduled in 2011.

- (vii) *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.

- (viii) *Jianshebei Road, Huadu District (100% owned)*

This project, located in the downtown area of Huadu, is for residential development with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. The development has commenced and the project is targeted to be completed in 2011.

- (B) **Investment Property (approximately 72,000 square meters)**
Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (69.6% effective interest)

This prime investment property maintains high occupancy throughout the year with satisfactory

Hong Kong



- 1 Tai Po Town Lot No.186,188 & 201
- 2 The Great Hill, Tung Lo Wan Hill Road, Shatin
- 3 2 Grampian Road, Kowloon
- 4 Kowloon Inland Lot No. 11073, West Kowloon
- 5 30 Po Shan Road, Mid-Levels
- 6 J SENSES, Wanchai
- 7 6 Shiu Fai Terrace, Stubbs Road
- 8 Aberdeen Inland Lot No. 451, Welfare Road



rentals. Following the completion of the acquisition in February 2010, the effective interest of the Group in the property has increased to 69.6%, thereby bringing a greater share of recurrent income to the Group.

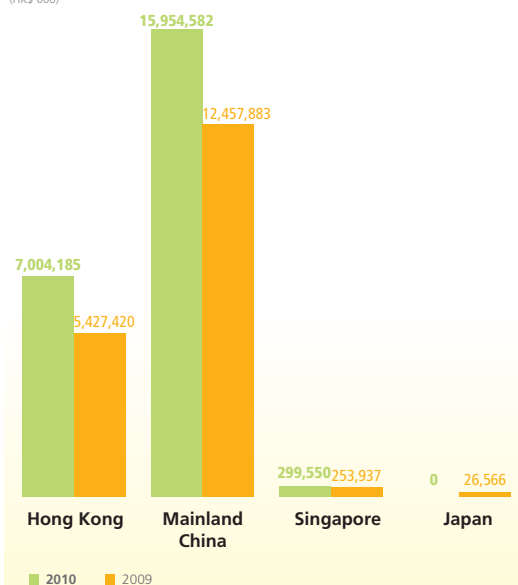
Hong Kong

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.

Total Assets by Geographical Area

As at 31 December 2010

(HK\$'000)



(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. 90% of the units have been sold. The remaining apartments and houses will be disposed of at the best opportunity.

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

This exclusive low-rise residential project with total GFA of approximately 6,340 square metres has 24 luxurious apartments, a club house and a swimming pool. The project was completed and is ready to be put on market.

Management Discussion and Analysis

(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. The project is now in the planning and design stage. Completion for the project is expected in 2014.

(iv) Aberdeen Inland Lot No. 451, Welfare Road, 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. Total GFA is estimated to be approximately 60,000 square metres. Superstructure works are underway and the Group expects completion by 2012.

(v) 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 69,700 square metres. Foundation is completed and the Group expects completion by 2012.

(vi) Tai Po Town Lot No. 186, Tai Po (15% owned)

This is a luxury residential development under a joint venture with other property developers. Total GFA is estimated to be approximately 66,500 square metres. Superstructure works are underway and the Group expects completion by 2012.

(vii) Kowloon Inland Lot No. 11073, 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 60,500 square metres, of which approximately 8,000 square metres will be allocated for retail and shops.

Superstructure works have already started 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 already started.

(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. Design work has already started.

(B) Other properties in Hong Kong

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

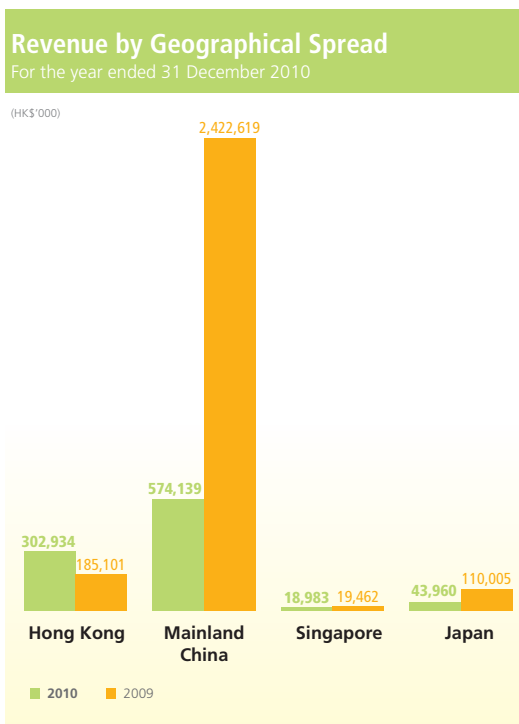
J SENSES is a premium dining and shopping arcade, located in the heart of Hong Kong Island, with GFA of approximately 3,400 square metres. It is almost fully occupied and continues to deliver stable rental income to the Group.

(ii) Skyline Commercial Centre, Wing Lok Street, Sheung Wan (100% owned)

This 24-storey centrally located office building provides approximately 3,900 square metres of office space as well as ground floor shops. It is almost fully occupied and is contributing stable rental income to the Group.

(iii) Kingsfield Centre, Shell Street, North Point (100% owned)

The 26-storey building, in which the Group owns a total GFA of approximately 1,900 square metres of office space, maintains a high occupancy rate and delivers stable 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 2010, share price of GEG was HK\$8.78 per share compared to HK\$3.19 per share at 31 December 2009. The change in fair value of approximately HK\$908 million was recorded as an increase in reserve.

OUTLOOK

The economy in 2010 generally presented a better picture than anticipated. However, looking ahead into 2011, uncertainty remains high for the global economy. Europe and the US are still working their ways out of the recent financial crisis, Japan's recent earthquake and tsunami disaster has significantly impeded the economic recovery, and the troubles in the Middle East turn increasingly violent. In addition, unemployment and inflation rates are still of growing concern for many countries.

Nevertheless, most investors still remain positive about Asia, in particular China and Hong Kong. In 2010, property prices rose over the year, mainly driven by the recovering economy and low interest rate environment.

Owing to the concern over a property bubble, the government has implemented a series of policies and measures to cool the real estate markets in China and Hong Kong. Increasing land supply and tightening of mortgage lending with higher interest rates are expected in the future. Government policy remains a key factor affecting the property market.

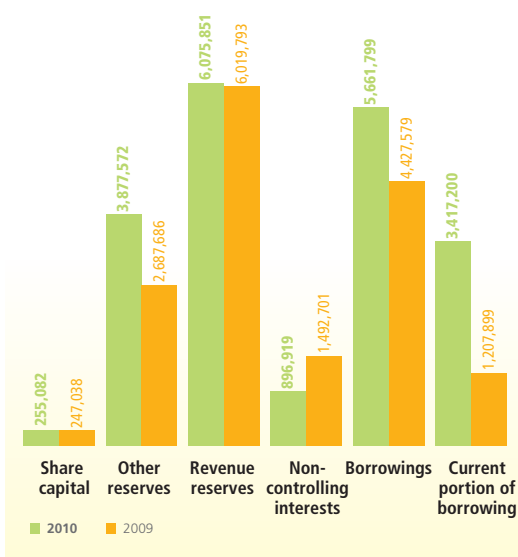
The Group will continue to focus on our core business of property development as well as seeking new investment opportunities in Hong Kong and China. We will also pay close attention to our competitiveness in the light of the uncertain economy and the government policy risk.

Management Discussion and Analysis

Sources of Funding

As at 31 December 2010

(HK\$'000)



REVIEW OF FINANCE

(1) Financial Position

The financial position of the Group remained strong. Total funds employed were increased to HK\$20 billion at 31 December 2010 (2009: HK\$16 billion). The number of the issued shares of the Company increased as a result of the exercise of share option 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 2010, total bank borrowings amounted to HK\$9,079 million and cash and bank balances and deposits stood at HK\$3,235 million. 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 29% at of 31 December 2010.

Of the long-term bank borrowings, around 68% 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 2010, 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\$10,621 million (2009: HK\$8,267 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 31 December 2010, 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\$7,094 million (2009: HK\$5,652 million), HK\$2,521 million (2009: HK\$2,404 million) and HK\$1,650 million (2009: HK\$1,009 million) respectively, of which HK\$6,414 million (2009: HK\$4,352 million), HK\$1,622 million (2009: HK\$1,495 million) and HK\$1,054 million (2009: HK\$658 million) have been utilised respectively.

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 2010, the Group, excluding its associated companies and jointly controlled entities, employs 406 employees in Hong Kong, the Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$214 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 the 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 her employees in appropriate training and development programmes for work enhancement and personal effectiveness.

In 2010, the Group organized a suit of training and development programmes for staff to share among themselves knowledge, experience and good management practices in their respective divisions. These events provide staff with initiatives to enhance their management capabilities and up-date their know-how. In addition, the Group also sponsors staff to attend external job-related courses or workshops in Hong Kong and Mainland China organized by the accredited educational institutions and professional bodies.

Corporate Governance Report

As at 29 March 2011

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

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.

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, 4 other executive Directors ("EDs"), one non-executive Director ("NED") and 4 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 27 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. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan have been appointed as EDs with effect from 12 April 2010, Dr. The Hon. Leo Lee Tung Hai (INED) passed away on 8 June 2010, Sir David Akers-Jones resigned as an INED with effect from 30

September 2010, 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.

Board Practices In 2010, 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.

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. The Company has directors' and officers' liability insurance in place 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 2010 is as follows:

Name of Director	Meetings attended/Eligible to attend				
	Board Meeting (5)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Independent Board Committee Meeting (1)	Annual General Meeting (1)
Executive Directors					
Che-woo Lui (Chairman & Managing Director) ¹	3/5	N/A	1/1	N/A	1/1
Francis Lui Yiu Tung ²	1/5	N/A	N/A	N/A	0/1
Paddy Tang Lui Wai Yu ³	5/5	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah ⁴	4/4	N/A	N/A	N/A	1/1
Claudia Cheung Man Wan ⁵	2/4	N/A	N/A	N/A	0/1
Non-executive Directors					
Michael Leung Man Kin ⁶	4/5	2/2	N/A	N/A	1/1
Moses Cheng Mo Chi	2/5	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Sir David Akers-Jones ⁷	4/4	N/A	N/A	1/1	1/1
Leo Lee Tung Hai ⁸	1/2	N/A	N/A	0/1	N/A
Robin Chan Yau Hing	4/5	N/A	N/A	1/1	1/1
Robert George Nield	3/5	1/2	1/1	1/1	1/1
William Yip Shue Lam	5/5	2/2	1/1	1/1	1/1
Poon Chung Kwong ⁹	4/5	N/A	N/A	1/1	0/1
Total	42/59	5/6	3/3	5/6	8/12
Average attendance rate	71%	83%	100%	83%	67%

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 was appointed on 12 April 2010, who 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 was appointed on 12 April 2010.
6. Mr. Michael Leung Man Kin resigned as a NED and a member of the Audit Committee on 1 March 2011.
7. Sir David Akers-Jones resigned on 30 September 2010.
8. Dr. The Hon. Leo Lee Tung Hai passed away on 8 June 2010.
9. Professor Poon Chung Kwong was appointed as a member of the Audit Committee on 1 March 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 meetings of the Company.

In accordance with Bye-law 109(A) of the Bye-laws, 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 2011 annual general meeting ("2011 AGM") of the Company, Mr. Francis Lui Yiu Tung (ED), Ms. Claudia Cheung Man Wan (ED) and Mr. Robert George Nield (INED) will retire by rotation and, being eligible, will offer themselves for re-election.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors, and assessing the independence of INEDs so as to ensure that there is a balance of expertise, skill, and experience appropriate for the business and long-term development of the Group. The setting up of a nomination committee is under consideration.

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 2010 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 has served on the Board for more than 9 years; and in that respect only, does not meet the Recommended Best Practice A.4.3 of Appendix 14 of the Listing Rules. The Board however considers all of its INEDs independent in character and judgment as within the guidelines under Rule 3.13 of the Listing Rules. In reaching its determination, the Board has concluded that there are no relationships or circumstances that are likely to affect any INED's judgment. In accordance with Rule 3.13 of the Listing Rules, each of the 4 INEDs determined by the Board as independent has provided an annual 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 role and function of the Remuneration Committee are set out in its terms of reference which had been posted on the website of the Company. The Remuneration Committee comprises 3 members identified in the table on page 17 of whom 2 are INEDs. Dr. Che-woo Lui acts as the chairman of the Remuneration Committee. 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 the members for their comment and records respectively soon after the relevant meetings.

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

- on 8 February 2010, reviewed and approved the 2010 mid-year bonus paid to the EDs;
- on 8 April 2010, reviewed the level of Directors' fees for 2009 as well as remuneration packages of the EDs (who also constituted senior management of the Company) for 2010;
- on 30 September 2010, reviewed and approved the 2010 mid-year bonus paid to an ED;
- on 18 January 2011, reviewed and approved the 2010 year-end bonus paid to the EDs; and
- 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.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2010 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2011 AGM.

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

Details of Directors' Remuneration and Five Highest Pay Individuals of the Group for the year ended 31 December 2010 are set out in notes 12 and 13 to the 2010 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 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.

Corporate Governance Report

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 3 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 2010 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 17. 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 2010, the Audit Committee met twice: in April 2010 to review the Group's 2009 annual results and financial statements, and in August 2010 to review the Group's 2010 interim results and financial statements. At its meeting on 23 March 2011, the Audit Committee reviewed the Group's annual results and financial statements for 2010 and also the report on the effectiveness of the risk assessment and internal control system of the Group from the internal audit department. Each meeting received written reports and papers from PwC. The terms of reference of the Audit Committee had been posted on the website of 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 2011 AGM. An analysis of the fees for 2010 paid to Auditors appears in note 10 to the 2010 Financial Statements.

COMMUNICATION WITH SHAREHOLDERS

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 at both the Stock Exchange's and the Company's own 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. In accordance with Rule 13.39(4) of the Listing Rules, all the resolutions to be proposed at the 2011 AGM will be decided on poll. The Company's branch share registrars in Hong Kong will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with Rule 2.07C of the Listing Rules as soon as possible on the websites of the Stock Exchange and the Company respectively. The Chairman of the 2011 AGM (and chairman of any other shareholders' meeting) will ensure that any vote of Shareholders at the 2011 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

Code Provision A.2.1 During the year ended 31 December 2010, 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 4 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.

Investor Relations



DELIVERING SHAREHOLDER VALUE

As part of KWIH's commitment to providing timely and transparent information to the investment community while promoting mutual communication, KWIH organized various events throughout the year to ensure that financial analysts, fund managers, stock commentators and the financial media are well informed of the Company's key developments, financial position, business plans and strategies.

Concurrent with the sales launch of a number of property projects in Hong Kong and Shanghai, KWIH organized company visits (photos 1–3), site visits (photos 4–5), results presentations (photos 6–9) and one-on-one interviews for professional investors to foster their understanding of the Company's projects and development strategies. Such activities generated extensive coverage by the financial media, while nine professional institutions published a total of 20 research reports in recognition of the Company's quality portfolio and marketing strategies, which effectively added value for shareholders.

The Company also seeks to facilitate better communication with the public via its corporate website, where comprehensive information such as major corporate publications, news updates and stock price enquiry are available.



“ The company has been recognized for its product quality in HK and for its innovative design of its development and it has been building its brand name in Shanghai in last few years through the large-scale Westwood project (Phase 1 to Phase 3). We note there was a significant increase in ASP of its Westwood project since Ph.1 launched in 2006... Moreover, the project is also now commanding a premium pricing to its comparables, which in our view, together with the price surge, reflect its increasing brand recognition in Shanghai. ”

Goldman Sachs, 15 March 2011

“ We believe K Wah is on track to realize its latent value along with the coming project sales and investment harvesting...Our targeted NAV discount is also narrowed to 30% to reflect its sales execution ability as evidenced in the Shanghai Westwood Ph3. ”

Citigroup Global Markets, 25 January 2011

“ We maintain our positive view on the stock given its strong project selling schedule in both Hong Kong and China and its reputation for managing policy risks. ”

CCB International Securities, 30 March 2011

Corporate Citizenship

KWIH is committed to giving back to the society while seeking business growth in a prudent manner. As well as actively participating in community services to help foster social harmony, the Group spares no efforts supporting education for the sustainable development of the society.

A KEEN SUPPORTER OF EDUCATION

Believing that education is the key to shaping the future of a country, Dr. Che-woo Lui, Chairman of KWIH, has been rendering relentless support to education development at home and abroad. In Mainland China, the reconstruction and refurbishment of 122 schools in underprivileged regions across China, a project undertaken in cooperation with the Ministry of Education, was completed successfully and a book titled *Ai Shang Xue* 《愛上學》 was published in association with Wen Wei Po for distribution to teachers, students and other interested parties so that more benefactors will share this vision and offer their support (photos 1–2). Donation has been made to the new Beijing campus of China Europe International Business School. The management of K. Wah attended the inauguration ceremony in April 2010 and unveiled the Lui Che Woo Auditorium (photo 3). Since 2008 Dr. Lui has made donations to Virya Foundation, which has been set up for helping Mainland's university students in rural areas to complete their four-or five-year degree programmes. Moreover, donations were made to the new Hengqin campus of the University of Macau (photo 4) and the Lui Che Woo Law Library in the Centennial Campus of The University of Hong Kong, all aiming to train future talents for Hong Kong and Macau.





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PASSING ON THE CORPORATE CULTURE THROUGH EXTENSIVE TRAINING

Employees are invaluable assets of the Group. A series of on-going staff training and development programmes are devised and implemented not only to enhance the level of expertise, but also to pass on K. Wah's corporate culture to the next generations.

The second session of Property Management Training Programme commenced in September 2010, following the successful run which was met with enthusiastic response from the staff. During the two-year course, department heads and guest speakers were invited to share on their respective expertise and technical know-how, as well as soft strengths in pursuit of a balanced development of professional skills and personal qualities. A special session was hosted by Professor Poon Chung-kwong, KWIH's Independent Non-executive Director. Drawing on the wisdom of Chinese and Western philosophy, Professor Poon discussed with colleagues ways to build team unity and harmony, and encouraged the management to lead by example to pass on the core values of K. Wah employees at all levels (photos 5–8).



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LEARNING WITH FUN CARING FOR COMMUNITY

The Group places a strong emphasis on the work-life balance of employees, as it believes that assuring the physical and psychological well-being of staff is as important as training them in skills. The K. Wah Group Training and Recreational Centre, officially opened in 2010, hosts regular hobby groups, seminars and workshops, such as creative painting workshops and yoga classes (photo 11). Outdoor activities such as the Shanghai Qingpu K. Wah Day and Hong Kong Disneyland trip (photos 12–13) have also provided staff with opportunities to refresh their mind and foster friendship with one another.

Meanwhile, employees actively participated in charity activities such as Community Chest's Walk for Millions and toy donation (photos 9–10). Their enthusiastic response to the needs of the community has helped to foster a caring spirit in our community.



Biographical Information of Directors

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*, aged 81, the founder of the Group, has been the Chairman since June 1989 and is presently the Chairman and the Managing Director as well as the chairman of the remuneration committee 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 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 55, joined K. Wah group in 1979. He has been an executive Director since June 1989. Mr. Lui is also the deputy chairman and 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 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. He is a member of the Shanghai Committee of the Chinese People's Political

Consultative Conference and also a Committee Member of the 11th Chinese People's Political Consultative Conference. 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 57, 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 is 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 and a Founding Member of the Board of Opera Hong Kong Limited. 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 was 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 48, 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 is a committee member of Guangzhou Committee of the 11th Chinese People's Political Consultative Conference and a member of Estate Agents Authority (EAA). Mr. Alexander Lui is also the vice president of The Hong Kong Association for the Advancement of Real Estate and Construction Technology 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

Biographical Information of Directors

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.

Ms. Claudia Cheung Man Wan, aged 49, joined the Group in 1993 and is presently the Director of Corporate Affairs and Human Resource Department of the Group. She has been an executive Director since April 2010. Save as disclosed herein, she has no previous directorships in other public listed companies in the last 3 years. She holds a bachelor of social science degree in Mass Communication from the University of Texas at Austin, USA.

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*, (non-executive Director) aged 61, 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 COSCO Holdings Company Limited, 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 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 directorships

in public listed companies in Hong Kong in the last three years include Beijing Capital International Airport Company Limited, Galaxy Entertainment Group Limited and Shui On Construction and Materials Limited. Save as disclosed herein, he has no previous directorship in other public listed companies in the last 3 years.

Dr. Robin Chan Yau Hing, *GBS, LL.D, JP*, (independent non-executive Director) aged 78, has been a Director since June 1989 and has become an independent non-executive Director since 1998. A banker with over 40 years of experience, Dr. Chan holds different positions in public listed companies on the Main Board of the Stock Exchange, including the Chairman of Asia Financial Holdings Limited and the 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 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. 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 of the HKSAR Government of the People's Republic of China. In 2010, Dr. Chan has been honoured with the Honorary University Fellowship by Hong Kong Baptist University.

Mr. Robert George Nield, (independent non-executive Director) aged 59, has been an independent non-executive Director and a member of the audit committee of the Company since September 2004. Mr. Nield has been a member of the remuneration committee of the Company since December 2005. Save as disclosed herein, he has no directorships in other public listed companies in the last 3 years. He is a Fellow of The Institute of Chartered Accountants in England and Wales and has over 30 years of experience in professional auditing and accounting. Mr. Nield worked for PricewaterhouseCoopers ("PwC") from 1980 (partner since 1985) to 2002. In addition to being

an audit partner, he was from time to time in charge of PwC's Computer Audit, Continuing Education and Human Resources departments. He retired from PwC in June 2002. Mr. Nield is the President of the Hong Kong Branch of the Royal Asiatic Society and a Director of Opera Hong Kong Limited.

Dr. William Yip Shue Lam, LL.D. (independent non-executive Director) aged 73, has been an independent non-executive Director, chairman of audit committee and a member of the remuneration committee of the Company since June 2008. 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 71, has been an independent non-executive Director since August 2009 and a member of the audit committee since March 2011. Professor Poon, President Emeritus of The Hong Kong Polytechnic University, 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. He was previously Professor of Chemistry and Dean of the Faculty of Science at The University of Hong Kong. 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 his degree of Doctor of Philosophy from the University of London in 1967 and worked as a post-doctoral research fellow at the California Institute of Technology. He then served as Lecturer at The University of Hong Kong. During the period when Professor Poon was serving as Lecturer at The University of Hong Kong, he was also Visiting Research Associate of the California Institute of

Technology and the University of Southern California, as well as Visiting Professor at the University of Toronto in Canada. He was later awarded the degree of Doctor of Science, which is a higher doctorate, by the University of London in 1979. Professor Poon 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 directorship in other public listed company in the last 3 years. He 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. Professor Poon received the OBE award in 1991, the Gold Bauhinia Star (GBS) award 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. Professor Poon has chaired and was appointed a member of numerous committees of the Hong Kong Government and of the industrial, business and educational sectors including member of the Legislative Council (1985–1991); the Founding Chairman of the Government's Committee on Science and Technology (1988–1991); and Chairman of Veterinary Surgeons Board (2000–2004). He also served as Member of the Basic Law Consultative Committee (1985–1990), Advisor on Hong Kong Affairs (1994–1997), Member of the Preparatory Committee for the HKSAR (1995–1997) and Member of the Selection Committee for the First (1996), Second (2001) and Third (2007) Government of the HKSAR. In addition, Professor Poon has been a member of the National Committee of the Chinese People's Political Consultative Conference since 1998. He is also The Honorary Professor of a number of top-rated universities in the Mainland China. Professor Poon currently serves as Consultant of Science and Technology Consulting Committee of Shenzhen Municipal People's Government and Member of Policy Consultative Committee of Shaanxi Province in the Mainland China.

SENIOR MANAGEMENT

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

Report of the Directors

The Directors have pleasure in presenting to the Shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 ("2010 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 2010 Financial Statements.

RESULTS AND APPROPRIATIONS

The 2010 Financial Statements on pages 40 to 108 of this annual report set out the results of the Group for the year ended 31 December 2010.

An interim cash dividend of HK\$0.01 per ordinary share of the Company ("Share") was paid during the year. The Board recommends the payment of a final cash dividend of HK\$0.01 per Share. Together with the interim cash dividend paid, the total dividends per Share for the year amount to HK\$0.02 (2009: HK\$0.11 per Share). Details of dividends are set out in note 17 to the 2010 Financial Statements.

SHARE CAPITAL

Note 30 to the 2010 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 2010 Financial Statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$16,022,000 (2009: HK\$136,000).

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 2010 Financial Statements.

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2010 for investment and development purposes are set out on pages 109 to 110 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 (appointed on 12 April 2010), Ms. Claudia Cheung Man Wan (appointed on 12 April 2010), Sir David Akers-Jones (resigned on 30 September 2010), Mr. Michael Leung Man Kin (resigned on 1 March 2011), Dr. Moses Cheng Mo Chi, Dr. The Hon. Leo Lee Tung Hai (passed away on 8 June 2010), Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Professor Poon Chung Kwong.

Biographical details of the current Directors are set out on pages 27 to 29 of this annual report.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, Mr. Francis Lui Yiu Tung, Ms. Claudia Cheung Man Wan and Mr. Robert George Nield will retire by rotation at the forthcoming 2011 annual general meeting of the Company ("2011 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 2011 AGM, the following fees in respect of year ended 31 December 2010 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	160,000	130,000
Audit Committee	120,000	100,000
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 2010 or at any time during the year ended on that date.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2010, 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 are 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)					Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Che-woo Lui	11,348,946	7,559,932 ⁽¹⁾	3,224,879 ⁽²⁾	1,513,726,237 ⁽³⁾	1,535,859,994	60.21
Francis Lui Yiu Tung	5,878,035	—	—	1,513,726,237 ⁽³⁾	1,519,604,272	59.57
Paddy Tang Lui Wai Yu	13,523,802	—	—	1,513,726,237 ⁽³⁾	1,527,250,039	59.87
Alexander Lui Yiu Wah	6,437,065	—	3,713,520 ⁽⁴⁾	1,513,726,237 ⁽³⁾	1,523,876,822	59.74
Claudia Cheung Man Wan	4,072,583	—	—	—	4,072,583	0.16
Michael Leung Man Kin	500,000	—	—	—	500,000	0.02
Moses Cheng Mo Chi	—	—	—	—	—	0.00
Robin Chan Yau Hing	1,454,827	—	—	—	1,454,827	0.06
Robert George Nield	753,000	—	—	—	753,000	0.03
William Yip Shue Lam	—	—	—	—	—	0.00
Poon Chung Kwong	—	—	—	—	—	0.00

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 7,559,932 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 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 2010, 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 2010, 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	1,513,726,237	59.34
CWL Assets (PTC) Limited	1,513,726,237	59.34
Super Focus Company Limited	1,131,473,018	44.36
Star II Limited	201,692,074	7.91
Favor Right Investments Limited	143,371,600	5.62
Premium Capital Profits Limited	141,101,899	5.53

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 1,513,726,237 Shares. Such Shares are the aggregation of (i) 143,371,600 Shares held by Favor Right Investments Limited, (ii) 37,189,545 Shares held by Best Chance Investments Limited, (iii) 1,131,473,018 Shares held by Super Focus Company Limited, (iv) 141,101,899 Shares held by Premium Capital Profits Limited, and (v) 60,590,175 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 1,513,726,237 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, 1,131,473,018 Shares were interested by Super Focus Company Limited, 37,189,545 Shares were interested by Best Chance Investments Limited, 143,371,600 Shares were interested by Favor Right Investments

Limited, 141,101,899 Shares were interested between Premium Capital Profits Limited and Star II Limited and 60,590,175 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2010, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") adopted by the Shareholders at the annual general meeting on 30 May 2002 is summarized below:

(1) Purpose

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

(2) Participants

- (i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or
- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or

- (v) any business ally or joint venture partner 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 30 May 2002, being 187,563,607 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 108,831,427 Shares, which represented approximately 4.266% 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 on the date of grant;
- (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(9) The remaining life of the Share Option Scheme

The life span of the Share Option Scheme is 10 years commencing from 30 May 2002 and will expire on 29 May 2012. However, approval is being sought from Shareholders at the 2011 AGM for the adoption of a new share option scheme and the termination of the Share Option Scheme. Details are set out in the circular to Shareholders accompanying this annual report.

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 2010, were as follows:

Holders	Date of grant	Number of options			Held at 31 December 2010	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2010	Exercised during the year	Lapsed during the year			
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	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	960,000	500,000 ^(a)	—	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
Claudia Cheung Man Wan	27 Nov 2007	322,000	—	—	322,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	400,000	—	—	400,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	1,270,000	—	—	1,270,000	0.938	3 Mar 2010–2 Mar 2014
Michael Leung Man Kin	27 Nov 2007	500,000	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
Moses Cheng Mo Chi	—	—	—	—	—	—	—
Robin Chan Yau Hing	21 Oct 2005	500,000	—	—	500,000	1.906	22 Oct 2006–21 Oct 2011
	27 Nov 2007	500,000	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
Robert George Nield	27 Nov 2007	500,000	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
William Yip Shue Lam	—	—	—	—	—	—	—
Poon Chung Kwong	—	—	—	—	—	—	—
Employees (in aggregate)	21 Oct 2005	755,000 [#]	200,000 ^(b)	100,000	455,000	1.906	22 Oct 2006–21 Oct 2011
	27 Nov 2007	6,034,000 [#]	—	516,000	5,518,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	2,169,000 [#]	—	512,000	1,657,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	10,319,920 [#]	8,900,130 ^(c)	203,640	1,216,150	0.938	3 Mar 2010–2 Mar 2014
Others	28 Feb 2003	150,000 [*]	—	150,000	—	0.720	1 Mar 2004–28 Feb 2013
	27 Nov 2007	1,000,000 [*]	—	500,000	500,000	4.636	27 Nov 2008–26 Nov 2017

Report of the Directors

- # After reclassification of respective share options under "Employees" to "Alexander Lui Yiu Wah" and "Claudia Cheung Man Wan" following their appointments as executive Directors of the Company both on 12 April 2010.
- * After reclassification of respective share options held by "Sir David Akers-Jones" and "Dr. The Hon. Leo Lee Tung Hai" to "Others" following the resignation of Sir David Akers-Jones as an independent non-executive Director of the Company on 30 September 2010 and the passing away of Dr. The Hon. Leo Lee Tung Hai (independent non-executive Director of the Company) on 8 June 2010.

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\$2.410.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$2.900.
- (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK\$2.779.

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 25 February 2010, the Company completed the acquisition of a company holding a 30% equity interest ("Acquisition") in Shanghai Jia Hui Da Real Estate Development Company Limited ("JHD") (an indirect non-wholly owned subsidiary of the Company) for a total consideration of HK\$770,438,000. Upon completion of the Acquisition, the effective interest of the Group in JHD has been increased from 39.6% to 69.6%.

The Acquisition was a connected transaction under Rules 14A.11(1) and 14A.11(4) of the Listing Rules. Details of the Acquisition were included in the announcement made by the Company on 7 January 2010 and the circular of the Company dated 28 January 2010. The

written certificate dated 6 January 2010 and issued by the requested shareholders holding approximately 57.67% of the issued share capital of the Company approving the Acquisition was acceptable to the Stock Exchange in lieu of a special general meeting and the Stock Exchange had granted a waiver to that effect.

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 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 5 out of 10 Directors being non-executive/independent non-executive Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded.

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

SUFFICIENCY OF PUBLIC FLOAT

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

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2010, 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	414,644	172,077
Current assets	27,880,401	6,460,420
Current liabilities	(6,570,339)	(1,219,631)
	21,724,706	5,412,866
Share Capital	843,497	318,225
Reserves	974,057	448,299
Amounts due to shareholders	13,918,960	3,035,427
Non-current liabilities	5,988,192	1,610,915
	21,724,706	5,412,866

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2010 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 2010:

- (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	46%
Five largest suppliers	61%

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 2010 Financial Statements have been audited by Messrs. PricewaterhouseCoopers, who will retire and, being eligible, offer itself for re-appointment at the 2011 AGM.

On behalf of the Board

Che-woo Lui

Chairman and Managing Director

Hong Kong, 29 March 2011

Report of the Independent Auditor



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 108, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 2010, and 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, 29 March 2011

Consolidated Profit and Loss Statement

For the year ended 31 December 2010

	Note	2010 HK\$'000	(Restated) 2009 HK\$'000
Continuing operations			
Revenue	8	896,056	2,627,182
Cost of sales		(244,548)	(1,102,687)
Gross profit		651,508	1,524,495
Other operating income		49,742	41,308
Other net gains		20,370	97,654
Other operating expenses		(104,290)	(31,755)
Administrative expenses		(288,367)	(199,739)
Change in fair value of investment properties		90,521	608,646
Finance costs	9	(19,064)	(33,398)
Share of profits of jointly controlled entities		41,349	40,798
Share of losses of associated companies		(55)	(57)
Profit before taxation	10	441,714	2,047,952
Taxation charge	14	(194,362)	(768,465)
Profit from continuing operations		247,352	1,279,487
Discontinued operation			
(Loss)/profit from discontinued operation	7,10	(6,621)	2,905
Profit for the year		240,731	1,282,392
Attributable to:			
Equity holders of the Company		193,139	918,873
Non-controlling interests		47,592	363,519
		240,731	1,282,392
HK cents			
HK cents			
Earnings per share from continuing operations	16		
Basic		7.76	37.11
Diluted		7.72	37.10
(Loss)/earnings per share from discontinued operation			
Basic		(0.18)	0.09
Diluted		(0.18)	0.09
Earnings per share from operations			
Basic		7.58	37.20
Diluted		7.54	37.19
HK\$'000			
HK\$'000			
Dividends	17		
Interim paid		25,506	24,704
Proposed final		25,512	247,914
		51,018	272,618

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK\$'000	(Restated) 2009 HK\$'000
Profit for the year	240,731	1,282,392
Other comprehensive income:		
Change in fair value of non-current investments	908,286	346,091
Change in fair value of land and buildings transferred to investment properties	4,132	—
Exchange differences	310,081	(18,469)
Other comprehensive income for the year, net of tax	1,222,499	327,622
Total comprehensive income for the year	1,463,230	1,610,014
Total comprehensive income attributable to:		
Equity holders of the Company	1,385,299	1,244,095
Non-controlling interests	77,931	365,919
	1,463,230	1,610,014

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 HK\$'000	(Restated) 31 December 2009 HK\$'000	(Restated) 1 January 2009 HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	18	492,383	273,057	111,947
Investment properties	19	4,565,479	4,364,555	3,746,543
Leasehold land and land use rights	20	16,288	12,619	12,623
Jointly controlled entities	22	2,608,155	2,391,362	2,282,665
Associated companies	23	1,193,796	739,898	714,198
Non-current investments	24	1,426,610	518,324	172,233
Deferred taxation assets	34	35,149	24,320	—
Other non-current assets	25	99,176	100,112	4,858
		10,437,036	8,424,247	7,045,067
Current assets				
Development properties	26	9,460,026	7,106,032	5,682,099
Debtors and prepayments	27	124,623	298,423	939,375
Amounts due from jointly controlled entities	22	—	59,540	—
Tax recoverable		1,631	3,931	5,756
Structured bank deposits	28	155,130	499,796	—
Cash and bank balances	29	3,079,871	1,773,837	1,291,179
		12,821,281	9,741,559	7,918,409
Total assets		23,258,317	18,165,806	14,963,476
EQUITY				
Share capital	30	255,082	247,038	247,038
Reserves	32	9,953,423	8,707,479	7,506,183
Shareholders' funds		10,208,505	8,954,517	7,753,221
Non-controlling interests		896,919	1,492,701	1,198,556
Total equity		11,105,424	10,447,218	8,951,777
LIABILITIES				
Non-current liabilities				
Borrowings	33	5,661,799	4,427,579	2,325,615
Deferred taxation liabilities	34	808,206	738,175	561,366
		6,470,005	5,165,754	2,886,981
Current liabilities				
Amounts due to jointly controlled entities	22	67,218	66,780	56,313
Creditors and accruals	35	1,521,794	703,502	562,862
Current portion of borrowings	33	3,417,200	1,207,899	2,418,072
Tax payable		676,676	574,653	87,471
		5,682,888	2,552,834	3,124,718
Total liabilities		12,152,893	7,718,588	6,011,699
Total equity and liabilities		23,258,317	18,165,806	14,963,476
Net current assets		7,138,393	7,188,725	4,793,691
Total assets less current liabilities		17,575,429	15,612,972	11,838,758

Che-woo Lui
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Company Balance Sheet

As at 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	21	259,561	259,561
Jointly controlled entities	22	438,568	438,568
		698,129	698,129
Current assets			
Amounts due from subsidiaries	21	2,868,068	2,761,722
Amounts due from jointly controlled entities	22	—	59,540
Debtors and prepayments	27	318	290
Tax recoverable		1,435	1,435
Cash and bank balances	29	858	632
		2,870,679	2,823,619
Total assets		3,568,808	3,521,748
EQUITY			
Share capital	30	255,082	247,038
Reserves	32	3,196,165	3,265,958
Shareholders' funds		3,451,247	3,512,996
LIABILITIES			
Current liabilities			
Creditors and accruals	35	2,561	2,799
Borrowings	33	115,000	—
Tax payable		—	5,953
Total liabilities		117,561	8,752
Total equity and liabilities		3,568,808	3,521,748
Net current assets		2,753,118	2,814,867
Total assets less current liabilities		3,451,247	3,512,996

Che-woo Lui
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 HK\$'000	(Restated) 2009 HK\$'000
Cash flows from operating activities			
Cash (used in)/from operations	36(a)	(720,601)	723,322
Tax paid		(107,301)	(128,209)
Interest paid		(182,223)	(128,509)
Net cash (used in)/from operating activities		(1,010,125)	466,604
Cash flows from investing activities			
Purchase of property, plant and equipment		(187,712)	(15,137)
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		(177,279)	(116,537)
Loans to associated companies		(453,953)	(25,757)
Other loan granted		—	(113,570)
Decrease/(increase) in structured bank deposits		344,666	(499,796)
Proceeds from disposal of property, plant and equipment		44	246
Disposal of a subsidiary	7	4,548	—
Interest received		29,449	16,357
Dividends received from jointly controlled entities		107,295	750
Net cash used in investing activities		(1,122,720)	(753,444)
Cash flows from financing activities			
Issue of new shares	36(b)	9,711	—
Redemption of convertible bonds		—	(18,298)
New long-term bank loans		3,451,873	2,432,603
Repayment of long-term borrowings		(270,948)	(1,319,363)
New short-term bank loans repayable after three months from date of advance		1,426,929	330,000
Repayment of short-term bank loans repayable after three months from date of advance		(1,232,510)	(538,674)
Capital contribution from non-controlling interests		122,122	—
Dividends paid to non-controlling interests		—	(71,774)
Dividends paid to shareholders		(104,100)	(49,408)
Net cash from financing activities		3,403,077	765,086
Net increase in cash and bank balances			
Cash and bank balances at beginning of year		1,758,295	1,276,866
Changes in exchange rates		51,344	3,183
Cash and bank balances at end of year (excluding discontinued operation)		3,079,871	1,758,295
Cash and bank balances of discontinued operation		—	15,542
Cash and bank balances at end of year		3,079,871	1,773,837

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31 December 2009					
As previously reported	247,038	8,657,477	8,904,515	1,492,701	10,397,216
Effect of early adoption of HKAS12 (Amendment)	—	50,002	50,002	—	50,002
As restated	247,038	8,707,479	8,954,517	1,492,701	10,447,218
Comprehensive income:					
Profit for the year	—	193,139	193,139	47,592	240,731
Other comprehensive income:					
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
Total comprehensive income	—	1,385,299	1,385,299	77,931	1,463,230
Transaction with Equity holders:					
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
At 31 December 2008					
As previously reported	247,038	7,458,661	7,705,699	1,198,556	8,904,255
Effect of early adoption of HKAS12 (Amendment)	—	47,522	47,522	—	47,522
As restated	247,038	7,506,183	7,753,221	1,198,556	8,951,777
Comprehensive income:					
Profit for the year	—	918,873	918,873	363,519	1,282,392
Other comprehensive income:					
Change in fair value of non-current investments	—	346,091	346,091	—	346,091
Exchange differences	—	(20,869)	(20,869)	2,400	(18,469)
	—	325,222	325,222	2,400	327,622
Total comprehensive income	—	1,244,095	1,244,095	365,919	1,610,014
Transaction with Equity holders:					
Redemption of convertible bonds	—	889	889	—	889
Fair value of share options	—	5,720	5,720	—	5,720
Dividends	—	(49,408)	(49,408)	(71,774)	(121,182)
	—	(42,799)	(42,799)	(71,774)	(114,573)
At 31 December 2009	247,038	8,707,479	8,954,517	1,492,701	10,447,218

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 29 March 2011.

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 2009 except as stated below.

The adoption of revised HKFRSs

In 2010, the Group adopted the revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HK – Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

HKICPA’s annual improvements to certain HKFRSs published in May 2009

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Share-based Payments
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 (Amendment)	Operating Segments

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 except for HKAS 17 (Amendment), HKFRS 3 (Revised) and HKAS 27 (Revised).

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset or the lease term.

The effect of the adoption of this amendment is as below:

	31 December 2010 HK\$'000	31 December 2009 HK\$'000	1 January 2009 HK\$'000
Decrease in leasehold land and land use rights	(51,944)	(53,414)	(54,116)
Increase in property, plant and equipment	51,944	53,414	54,116

The change in accounting policy has no material impact to the consolidated statement of comprehensive income of the Group for the comparative periods.

HKFRS 3 (Revised) and HKAS 27 (Revised) require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit and loss statement.

The adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) have resulted in a difference between the consideration paid and the relevant share of the carrying net asset value acquired from the non-controlling interests of HK\$35,236,000 which is now recorded in equity.

2 BASIS OF PREPARATION (cont'd)

In November 2010, the HKICPA issued HK – Int 5 which is effective immediately and is a clarification of an existing standard, HKAS 1 (Revised) “Presentation of Financial Statements”. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with HKAS 1 (Revised) irrespective of the probability that the lender will invoke the clause without cause.

The adoption of HK – Int 5 does not have any significant effect on the results and financial position of the Group.

Early adoption of amendment to HKFRSs

In December 2010, the HKICPA amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount to asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sales. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has early adopted this amendment retrospectively for the financial year ended 31 December 2010 and the effects of adoption are disclosed as follows.

As disclosed in Note 19, the Group has investment properties measured at their fair values amounting HK\$4,364,555,000 (2009: HK\$3,746,543,000) as of 1 January 2010. As required by the amendment, the Group has re-measured the deferred tax relating to these investment properties according to the tax consequence on the presumption that they are recovered entirely by sale, or rebutting this presumption, where appropriate. The comparative figures for 2009 have been restated to reflect the change in accounting policy, as summarised below.

	31 December 2010 HK\$'000	31 December 2009 HK\$'000	1 January 2009 HK\$'000
Decrease in deferred taxation liabilities	(60,805)	(50,002)	(47,522)
Increase in profit for the year	10,803	2,480	—
Increase in revenue reserve	50,002	47,522	47,522

2 BASIS OF PREPARATION (cont'd)

Standards, interpretations and amendments to HKFRSs that are not yet effective

The following new/revised standards, amendments and interpretations are effective for the accounting periods of the Group beginning on or after 1 January 2011 which are relevant to its operations and 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.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Parties Disclosures	1 January 2011
HKAS 32 (Amendment)	Financial Instruments: Presentation	1 February 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

HKICPA's annual improvements to certain HKFRSs published in May 2010

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2011
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2010
HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2011
HKFRS 3 (Revised)	Business Combinations	1 July 2010
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2011

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(a) *Subsidiaries (cont'd)*

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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(c) *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. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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 or loss where appropriate.

(d) *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. See note 3.6 for the impairment of non-financial assets including goodwill.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

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

The share of post-acquisition profits or losses of jointly controlled entities attributable to the Group is recognised in the consolidated profit and loss statement, and the share of post-acquisition movements in reserves is recognised in reserves. 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

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company attributable to the Group at the effective date of acquisition and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the non-controlling interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is recognised separately as an intangible asset. Goodwill on acquisition of associated company and jointly controlled entity is included in investments in associated company and jointly controlled entity and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Goodwill (cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the non-controlling interests acquired, the difference is recognised directly in the consolidated profit and loss statement.

3.4 Property, plant and equipment

Land and buildings comprise mainly offices. 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 over the remaining lease term from the time when the land interest becomes available for its intended use. Buildings on leasehold land and improvements are depreciated over their shorter useful life or respective lease periods using the straight-line method. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

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.

3.6 Impairment of investments in subsidiaries, jointly controlled entities, associated companies and 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 and 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.

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

3.7 Investments

The Group classifies its investments 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 investments were acquired. Management determines the classification of its investments at initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Investments (cont'd)

(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 or if so designated by management.

(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.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all investments not carried at fair value through profit or loss. Investment 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. Investments are derecognised when the rights to receive cash flows from the investments 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 investments classified as available-for-sale are recognised in equity. When investments 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 investments. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Investments (cont'd)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator in determining whether the investments 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 investment previously recognised in the profit and loss statement is removed from equity and recognised in the profit and loss statement. Impairment losses recognised in the profit and loss statement on equity investments are not reversed through the profit and loss statement.

3.8 Development properties

Development properties are included under current assets and 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.

3.9 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 expenses 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.

3.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 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.

3.12 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, brokers and dealers, 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.

3.13 Convertible bonds

(a) *Convertible bonds with equity component*

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to revenue reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Convertible bonds (cont'd)

(b) *Convertible bonds without equity component*

All other convertible bonds which do not exhibit the characteristics mentioned in (a) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible note are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the profit and loss statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the note is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the profit and loss statement.

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.

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).

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 reporting period, 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 statement, 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

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an 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. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

3.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties, goods and services in the ordinary course of the activities of the Group. Revenue is shown, net of value-added tax, business tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities of the Group have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Sales of properties*

Sales of properties are recognised when the risk and rewards of the property have been passed to the purchasers. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Revenue recognition (cont'd)

(c) *Sales of goods*

Sales of goods are recognised when the goods are delivered and legal title is transferred to the purchasers.

(d) *Interest income*

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

(e) *Dividend income*

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

3.21 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 equity.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Foreign currencies (cont'd)

(c) Group companies (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposal of or sold, such exchange differences that are recorded in the equity are recognised in the profit and loss statement as part of the gain or loss on sale. 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.

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. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss statement. The Group regards its financial 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 financial statements in the period in which the dividends are appeared by the Company's shareholders.

4 FINANCIAL RISK MANAGEMENT

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

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

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor

4.1.1. Market risk

(i) Foreign exchange risk

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

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

Except for 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 to enter 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 2010, if Hong Kong dollar had weakened or strengthened by 3% (2009: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been higher or lower by approximately HK\$10 million (2009: HK\$36 million) mainly as a result of foreign exchange gains/losses arising from borrowings and cash at banks.

(ii) Interest rate risk

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

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

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

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. At 31 December 2010, if interest rates had been increased or decreased by 1% (2009: 1%) with all other variables held constant, the profit before taxation for the year would decrease or increase by approximately HK\$58 million (2009: HK\$34 million) mainly as a result of higher or lower interest expenses.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.1. Market risk (cont'd)

(iii) Price risk

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

At 31 December 2010, if the share price of the available-for-sale investments had been increased or decreased by 10% (2009: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$143 million (2009: HK\$52 million).

4.1.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, bank deposits, amounts due from/loans receivables from jointly controlled entities and associated companies.

The Group has policies in place to ensure that sales of properties, goods and services are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors 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. Amounts due from jointly controlled entities and associated companies are generally supported by the underlying assets and the Group monitors the credibility of jointly controlled entities and associated companies continuously.

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

The credit risk on liquid funds is limited because 95% of the funds are placed in banks with high credit rankings, ranging from AA to A, and the remaining 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 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

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 2010, the Group's total undrawn facilities amounted to HK\$3.5 billion (2009: HK\$2.4 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
At 31 December 2010					
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
Total	4,253,019	3,537,325	1,881,590	442,715	10,114,649
At 31 December 2009					
Bank loans	1,310,502	2,054,288	2,452,868	—	5,817,658
Trade creditors	264,674	—	—	—	264,674
Other creditors and accruals	109,368	—	—	—	109,368
Amounts due to jointly controlled entities	66,780	—	—	—	66,780
Amounts due to non-controlling interests	108,941	—	—	—	108,941
Total	1,860,265	2,054,288	2,452,868	—	6,367,421

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
At 31 December 2010					
Bank loans	116,335	—	—	—	116,335
Other creditors	2,561	—	—	—	2,561
Total	118,896	—	—	—	118,896
At 31 December 2009					
Other creditors	2,799	—	—	—	2,799

Note: Interest on borrowings is calculated on borrowings held as at 31 December 2010 and 2009. Floating-rate interest is estimated using the current interest rate as at 31 December 2010 and 2009 respectively.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Capital risk management

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

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of 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, 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:

	2010 HK\$'000	2009 HK\$'000
Total borrowings	9,078,999	5,635,478
Less: Cash, bank balances and deposits	3,235,001	2,273,633
Net borrowings	5,843,998	3,361,845
Total assets excluding cash, bank balances and deposits	20,023,316	15,892,173
Gearing ratio	29%	21%

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).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

At 31 December 2010 and 2009, 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).

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.

5 CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (cont'd)

(a) Current and deferred taxation and land appreciation tax (cont'd)

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 costs of sales and provision for taxation in the financial period in which such determination is made.

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

(b) Fair value of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the 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.

5 CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (cont'd)

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

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.

(e) Financial implication of regulation of idle land

Under the 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.

5 CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (cont'd)

(f) Share-based payments

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

6 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. The Group ceased to carry on trading of plant and machinery in Japan following the disposal of a subsidiary during the year. 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 and administrative function.

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, properties, debtors and prepayments, tax recoverable and cash, deposits and bank balances and other assets mainly include non-current investments 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.

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	

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 2009 (Restated)							
Revenue	162,290	2,206,030	—	258,862	—	2,627,182	110,005
Adjusted EBITDA	58,026	1,169,255	(1,433)	225,652	(120,014)	1,331,486	5,039
Other income and expenses/gains, net						107,207	78
Depreciation and amortisation						(6,730)	(248)
Change in fair value of investment properties				608,646		608,646	—
Finance costs						(33,398)	(413)
Share of profits of jointly controlled entities	159	40,639				40,798	—
Share of losses of associated companies	(57)					(57)	—
Profit before taxation						2,047,952	4,456
Taxation charge						(768,465)	(1,551)
Profit for the year						1,279,487	2,905
As at 31 December 2009							
Segment assets	1,726,077	7,977,047	60,772	4,518,487	—	14,282,383	26,566
Other assets	—	—	—	—	725,597	725,597	—
Jointly controlled entities	1,739,707	651,655	—	—	—	2,391,362	—
Associated companies	739,898	—	—	—	—	739,898	—
Total assets	4,205,682	8,628,702	60,772	4,518,487	725,597	18,139,240	26,566
Total liabilities	3,350,928	2,696,751	23,870	1,583,032	49,763	7,704,344	14,244

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in three (2009: four) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2010 and 2009 and total non-current assets as at 31 December 2010 and 2009 by geographical area are as follows:

Revenue

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Hong Kong	302,934	185,101
Mainland China	574,139	2,422,619
Singapore	18,983	19,462
	896,056	2,627,182
Discontinued operation		
Japan	43,960	110,005
	940,016	2,737,187

Non-current assets

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Hong Kong	5,220,720	3,604,241
Mainland China	5,036,504	4,669,342
Singapore	179,812	150,240
	10,437,036	8,423,823
Discontinued operation		
Japan	—	424
	10,437,036	8,424,247

7 DISCONTINUED OPERATION

	2010 HK\$'000	2009 HK\$'000
Trading		
Revenue	43,960	110,005
Cost of sales and operating expenses	(51,777)	(105,549)
(Loss)/profit before taxation	(7,817)	4,456
Taxation	—	(1,551)
(Loss)/profit for the period/year	(7,817)	2,905
Gain on disposal	1,196	—
(Loss)/profit from discontinued operation	(6,621)	2,905
(Loss)/profit from discontinued operation attributable to:		
Equity holders of the Company	(4,667)	2,179
Non-controlling interest	(1,954)	726
	(6,621)	2,905
Operating cash flows	(4,065)	5,087
Investment cash flows	8	11
Financing cash flows	671	(3,436)
Net (decrease)/increase in cash and bank balances	(3,386)	1,662
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

	2010 HK\$'000	(Restated) 2009 HK\$'000
Sale of properties	631,111	2,368,320
Rental income	264,945	258,862
	896,056	2,627,182

9 FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest expense		
Bank loans, overdrafts and others, wholly repayable within five years	186,405	146,167
Finance cost of convertible bonds, wholly repayable within five years	—	202
Capitalised as cost of properties under development	(167,189)	(112,558)
	19,216	33,811
Representing:		
Continuing operations	19,064	33,398
Discontinued operation	152	413
	19,216	33,811

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 1% and 6% per annum (2009: 1% to 6% per annum).

10 PROFIT BEFORE TAXATION

	2010		(Restated) 2009	
	Continuing operations HK\$'000	Discontinued operation HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000
Profit before taxation is stated after crediting :				
Interest income from banks	25,993	7	15,858	11
Interest income from mortgage loans	437	—	499	—
Net exchange gains	20,452	—	33,404	—
Write-back of impairment loss on land deposits	—	—	64,008	—
Write-back of provision for construction costs	10,088	—	19,459	—
Gain on disposal of property, plant and equipment	—	—	240	—
and after charging :				
Cost of properties sold	230,135	—	1,047,993	—
Cost of inventories sold	—	35,237	—	93,991
Depreciation (net of amount capitalised under properties under development of HK\$276,000 (2009: HK\$185,000))	8,646	—	6,705	248
Amortisation for leasehold land and land use rights	60	—	25	—
Auditors' remuneration				
Audit services				
Provision for the year	3,180	—	2,734	—
Underprovision for prior years	213	—	127	—
Non-audit services	884	—	1,336	—
Loss on disposal of property, plant and equipment	82	—	—	—
Operating lease rental for land and buildings	1,377	848	1,363	1,277
Outgoings in respect of investment properties				
Direct operating expense of investment properties that generate rental income	4,479	—	3,762	—
Direct operating expense of investment properties that did not generate rental income	131	—	388	—

11 EMPLOYEE BENEFIT EXPENSES

	2010 HK\$'000	2009 HK\$'000
Staff costs including directors' emoluments	232,757	155,957
Share options granted to directors and employees	—	5,720
Pension costs — defined contribution plans	10,637	8,382
	243,394	170,059
Less: Amount capitalised under properties under development	(45,665)	(24,790)
	197,729	145,269

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 20% 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\$922,000 (2009: HK\$347,000) were utilised, leaving HK\$90,000 (2009: HK\$nil) available at the balance sheet date to reduce future contributions.

12 DIRECTORS' REMUNERATION

Name	Salaries, allowances		Discretionary bonuses	Pension scheme contributions	Share options (a)	2010 Total HK\$'000	2009 Total HK\$'000
	Directors' fee	and benefits in kind					
	HK\$'000	HK\$'000					
Che-woo Lui	209	9,000	1,844	908	—	11,961	6,686
Francis Lui Yiu Tung	120	1,050	210	105	—	1,485	1,255
Paddy Tang Lui Wai Yu	120	4,300	1,052	406	—	5,878	3,242
Alexander Lui Yiu Wah ^(b)	—	4,533	700	436	—	5,669	—
Claudia Cheung Man Wan ^(b)	—	2,158	—	199	—	2,357	—
Sir David Akers-Jones ^(c)	120	—	—	—	—	120	100
Michael Leung Man Kin	220	—	—	—	—	220	180
Leo Lee Tung Hai ^(c)	120	—	—	—	—	120	100
Robin Chan Yau Hing	120	—	—	—	—	120	100
Robert George Nield	270	—	—	—	—	270	220
William Yip Shue Lam	290	—	—	—	—	290	128
Moses Cheng Mo Chi	50	—	—	—	—	50	—
Poon Chung Kwong	50	—	—	—	—	50	—
Eddie Hui Ki On ^(c)	3	—	—	—	—	3	439
Albert Lam Kwong Yu ^(c)	51	—	—	—	—	51	911
Lennon Lun Tsan Kau ^(c)	—	—	—	—	—	—	46
Philip Wong Kin Hang ^(c)	—	—	—	—	—	—	40
Charles Cheung Wai Bun ^(c)	—	—	—	—	—	—	97
	1,743	21,041	3,806	2,054	—	28,644	13,544

(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/passed away.

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2009: two) Directors. The emoluments of the five individuals are as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other emoluments	26,329	16,530
Pension cost — defined contribution plans	2,354	1,425
Discretionary bonuses	5,609	1,565
Share options	—	2,639
	34,292	22,159

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2010	2009
HK\$3,000,001–HK\$3,500,000	—	3
HK\$3,500,001–HK\$4,000,000	1	—
HK\$4,000,001–HK\$4,500,000	1	—
HK\$5,500,001–HK\$6,000,000	1	1
HK\$6,500,001–HK\$7,000,000	—	1
HK\$8,000,001–HK\$8,500,000	1	—
HK\$11,500,001–HK\$12,000,000	1	—
	5	5

14 TAXATION CHARGE

	2010 HK\$'000	(Restated) 2009 HK\$'000
Current		
Hong Kong profits tax	5,313	139
Mainland China		
— Income tax	82,608	255,947
— Land appreciation tax	96,508	354,899
Overseas	1,585	1,412
Under/(over) provision in previous years	1,406	(4,440)
Deferred (note 34)	6,942	160,508
	194,362	768,465

14 TAXATION CHARGE (cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward.

Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in Mainland China and overseas in which the Group operates.

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

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

	2010 HK\$'000	(Restated) 2009 HK\$'000
Profit before taxation	441,714	2,047,952
Share of profits of jointly controlled entities	(41,349)	(40,798)
Share of losses of associated companies	55	57
	400,420	2,007,211
Tax calculated at applicable tax rates	79,629	400,986
Income not subject to taxation	(20,841)	(32,010)
Expenses not deductible for taxation purposes	13,171	14,262
Utilisation of previously unrecognised tax losses	(2,551)	(1,800)
Tax loss not recognised	26,837	16,902
Change in tax rate	—	(799)
Under/(over) provision in previous years	1,406	(4,440)
	97,651	393,101
Withholding tax	203	20,465
Land appreciation tax	96,508	354,899
Taxation charge	194,362	768,465

15 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$32,640,000 (2009: HK\$66,626,000).

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	
	2010 HK\$'000	(Restated) 2009 HK\$'000	2010 HK\$'000	(Restated) 2009 HK\$'000
Profit attributable to equity holders of the Company	197,806	916,694	(4,667)	2,179
Effect of dilutive potential shares				
Interest on convertible bonds, net of tax	—	169	—	—
Profit for calculation of diluted earnings per share	197,806	916,863	(4,667)	2,179

	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	2,548,245,000	2,470,383,000
Effect of dilutive potential shares		
Share options	12,442,000	676,000
Weighted average number of shares for calculating diluted earnings per share	2,560,687,000	2,471,059,000

17 DIVIDENDS

	2010 HK\$'000	2009 HK\$'000
Interim cash dividend of 1 HK cent (2009: 1 HK cent) per share	25,506	24,704
Proposed final cash dividend of 1 HK cent (2009: scrip dividend (with a cash option) of 10 HK cents) per share (a)	25,512	247,914
	51,018	272,618
The dividends have been settled by cash as follows :		
Interim	25,506	24,704
Final	—	78,594
	25,506	103,298

- (a) The Board of Directors recommended the payment of a final cash dividend in respect of 2010 of 1 HK cent (2009: scrip dividend (with a cash option) of 10 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31 December 2011.

18 PROPERTY, PLANT AND EQUIPMENT**Group**

	Assets				Total
	Land and buildings	under construction	Plant and machinery	Other assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
As previously reported	55,168	—	2,948	39,044	97,160
Effect of adoption of HKAS17 (Amendment)	64,144	—	—	—	64,144
At 31 December 2008, restated	119,312	—	2,948	39,044	161,304
Exchange differences	94	—	5	(4)	95
Additions	—	—	—	15,137	15,137
Transfer from development properties	—	153,085	—	—	153,085
Disposals	—	—	—	(2,963)	(2,963)
At 31 December 2009, restated	119,406	153,085	2,953	51,214	326,658
As previously reported	55,262	153,085	2,953	51,214	262,514
Effect of adoption of HKAS17 (Amendment)	64,144	—	—	—	64,144
At 31 December 2009, restated	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)
Disposals	—	—	—	(645)	(645)
At 31 December 2010	167,041	320,320	3,055	62,940	553,356

18 PROPERTY, PLANT AND EQUIPMENT (cont'd)**Group (cont'd)**

	Assets				Total
	Land and buildings	under construction	Plant and machinery	Other assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accumulated depreciation					
As previously reported	13,358	—	796	25,175	39,329
Effect of adoption of HKAS17 (Amendment)	10,028	—	—	—	10,028
At 31 December 2008, restated	23,386	—	796	25,175	49,357
Exchange differences	50	—	2	11	63
Charge for the year	1,843	—	265	5,030	7,138
Disposals	—	—	—	(2,957)	(2,957)
At 31 December 2009, restated	25,279	—	1,063	27,259	53,601
As previously reported	14,549	—	1,063	27,259	42,871
Effect of adoption of HKAS17 (Amendment)	10,730	—	—	—	10,730
At 31 December 2009, restated	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
Net book value					
At 31 December 2010	139,464	320,320	1,680	30,919	492,383
At 31 December 2009	94,127	153,085	1,890	23,955	273,057

Land and buildings with carrying values of HK\$139,464,000 (2009: HK\$94,127,000) 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**

	2010 HK\$'000	2009 HK\$'000
At beginning of year	4,364,555	3,746,543
Exchange differences	144,214	9,366
Change in fair value	90,521	608,646
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	4,565,479	4,364,555

- (a) Investment properties held under medium-term leases in Mainland China and Hong Kong amounting to HK\$3,813,962,000 (2009: HK\$3,724,895,000) and HK\$ 355,800,000 (2009: HK\$311,400,000) respectively, were valued at 31 December 2010 on an open market value basis by Savills Valuation and Professional Services Limited, independent professional valuers. Investment properties held under long-term leases in Hong Kong amounting to HK\$218,000,000 (2009: HK\$180,000,000) were valued at 31 December 2010 on an open market value basis by Savills Valuation and Professional Services Limited, independent professional valuers. Investment properties held under long-term leases in Singapore amounting to HK\$177,717,000 (2009: HK\$148,260,000) were valued at 31 December 2010 on an open market value basis by Chesterton Suntec International Pte Ltd., independent professional valuers.
- (b) Investment properties with carrying values of HK\$3,991,679,000 (2009: HK\$3,873,155,000) 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.

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

	2010 HK\$'000	2009 HK\$'000
At beginning of year		
As previously reported	66,033	66,739
Effect of adoption of HKAS17 (Amendment)	(53,414)	(54,116)
As restated	12,619	12,623
Transfer to investment properties	(120)	—
Transfer from investment properties	2,690	—
Transfer from development properties	668	—
Exchange differences	491	21
Amortisation	(60)	(25)
At end of year	16,288	12,619

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\$16,288,000 (2009: HK\$12,619,000) were pledged to secure the banking facilities of the Group.

21 SUBSIDIARIES

	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost less provision	259,561	259,561

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

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

22 JOINTLY CONTROLLED ENTITIES**Group**

	2010 HK\$'000	2009 HK\$'000
Share of net assets	766,703	731,377
Loan receivables	1,841,452	1,659,985
	2,608,155	2,391,362

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:

	2010 HK\$'000	2009 HK\$'000
Assets	4,368,647	4,099,953
Liabilities	(3,601,944)	(3,368,576)
Net assets	766,703	731,377
Revenue	117,434	257,183
Profit after taxation	41,349	40,798

Company

	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	438,568	438,568

Loan receivables from jointly controlled entities represent equity funding by the Group to the respective jointly controlled entities and are measured in accordance with the Group's accounting policy for investments in jointly controlled entities.

The amounts due from/(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 2010.

23 ASSOCIATED COMPANIES**Group**

	2010 HK\$'000	2009 HK\$'000
Share of net liabilities	(179)	(124)
Loan receivables	1,193,975	740,022
	1,193,796	739,898

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:

	2010 HK\$'000	2009 HK\$'000
Assets	2,263,850	1,407,385
Liabilities	(2,264,029)	(1,407,509)
Net liabilities	(179)	(124)
Revenue	—	—
Loss after taxation	(55)	(57)

Loan receivables from associated companies represent equity funding by the Group to the respective associated companies and are measured in accordance with the Group's accounting policy for investments in associated companies.

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 2010.

24 NON-CURRENT INVESTMENTS**Group**

	2010 HK\$'000	2009 HK\$'000
Listed equity securities, at fair value	1,426,610	518,324

The listed securities represent the Group's 4.1% (2009: 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**

	2010 HK\$'000	2009 HK\$'000
Loan receivable	95,540	96,325
Mortgage loans, net of provision	3,636	3,787
	99,176	100,112

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 2010 is HK\$95,540,000 (2009: HK\$96,325,000), which is based on cash flows discounted using a rate based on the borrowing rate of 5% (2009: 5%), which is made reference to the benchmark rate announced by the People's Bank of China.

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 (2009: recognised an impairment loss of HK\$420,000) for its mortgage loans during the year and included in other operating income in the profit and loss statement.

26 DEVELOPMENT PROPERTIES**Group**

	Completed HK\$'000	Under development HK\$'000	2010 HK\$'000	2009 HK\$'000
Leasehold land and land use rights	829,612	3,451,696	4,281,308	2,944,678
Development costs	757,780	4,420,938	5,178,718	4,161,354
	1,587,392	7,872,634	9,460,026	7,106,032

Development properties with carrying values of HK\$6,473,409,000 (2009: HK\$4,286,625,000) were pledged to secure the banking facilities of the Group.

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	2010 HK\$'000	2009 HK\$'000
Long-term lease	562,996	3,173,998	35,640	3,772,634	2,371,128
Medium-term lease	508,674	—	—	508,674	573,550
	1,071,670	3,173,998	35,640	4,281,308	2,944,678

27 DEBTORS AND PREPAYMENTS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade debtors, net of provision	7,072	12,016	—	—
Other debtors, net of provision	52,590	31,300	—	—
Land deposits, net of impairment	9,706	235,646	—	—
Prepayments and deposits	55,255	19,461	318	290
	124,623	298,423	318	290

The debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong dollar	30,167	20,488	318	290
RMB	94,343	267,186	—	—
Singapore dollar	113	149	—	—
Japanese Yen	—	10,600	—	—
	124,623	298,423	318	290

Trade debtors mainly comprise receivable for sales of goods and rental. Rental from tenants is due and payable in advance. The terms for sales of goods vary and are determined with reference to the prevailing marketing conditions.

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:

	2010 HK\$'000	2009 HK\$'000
Within one month	7,019	9,268
Two to three months	11	2,738
Four to six months	42	10
	7,072	12,016

27 DEBTORS AND PREPAYMENTS (cont'd)

The Group has not made any provision for impairment for its trade and other debtors during the year (2009: HK\$24,000 included in other operating expenses in the profit and loss statement). As at 31 December 2010, trade and other debtors of HK\$16,123,000 (2009:HK\$16,183,000) were impaired and full provision has been made. Movements of the provision are as follows:

	2010 HK\$'000	2009 HK\$'000
At beginning of year	16,183	16,159
Charge for the year	—	24
Disposal of a subsidiary	(60)	—
At end of year	16,123	16,183

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 with fixed maturity dates of not more than 3 months and their interest rates range from 1.5% to 6% (2009: 0.36% 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 CASH AND BANK BALANCES

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash at bank and in hand	1,607,537	1,188,372	858	632
Short-term bank deposits	1,472,334	585,465	—	—
	3,079,871	1,773,837	858	632

The cash and bank balances include HK\$854,135,000 (2009: HK\$555,122,000) which have been pledged or assigned for specific purposes under certain conditions.

29 CASH AND BANK BALANCES (cont'd)

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong dollar	662,177	224,193	858	632
RMB	2,377,181	1,367,486	—	—
United States dollar	1,656	138,300	—	—
Others	38,857	43,858	—	—
	3,079,871	1,773,837	858	632

The credit quality of cash and bank balances by reference to Standard & Poor's and Moody's credit ratings is as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Credit Rating:				
AA	718,493	565,262	844	575
A	2,212,827	1,107,508	7	—
BBB	—	34,945	—	19
Others	148,551	66,122	7	38
	3,079,871	1,773,837	858	632

30 SHARE CAPITAL

	2010		2009	
	Shares of HK\$0.10 each	HK\$'000	Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning and end of year	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	2,470,383,196	247,038	2,470,383,196	247,038
Share options exercised (a)	9,600,130	960	—	—
Issued as scrip dividends	70,838,484	7,084	—	—
At end of year	2,550,821,810	255,082	2,470,383,196	247,038

- (a) During the year, share options to subscribe for 9,600,130 shares (2009: nil) were exercised, of which HK\$960,000 was credited to share capital and HK\$11,199,000 to the share premium account and 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:

	2010		2009	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	2.3547	43,535,820	3.7775	24,779,000
Granted	—	—	0.9380	22,123,210
Exercised	1.0086	(9,600,130)	—	—
Lapsed	3.6270	(1,981,640)	3.5170	(3,366,390)
At end of year	2.6802	31,954,050	2.3547	43,535,820
Vested at end of year	2.6802	31,954,050	3.7421	21,995,000

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.742 (2009: No options were exercised).

The options outstanding at 31 December 2010 have exercise prices ranging from HK\$0.938 to HK\$4.636 (2009: HK\$0.72 to HK\$4.636) with weighted average remaining contractual life of 4.50 years (2009: 5.23 years).

31 SHARE OPTION SCHEME (cont'd)

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

Exercise period	Exercise price	Number of share options	
	per share HK\$	2010	2009
Directors			
1 March 2004 to 28 February 2013	0.720	—	150,000
22 October 2006 to 21 October 2011	1.906	4,580,000	4,120,000
27 November 2008 to 26 November 2017	4.636	4,807,000	4,495,000
27 November 2008 to 26 November 2017	3.882	2,000,000	800,000
3 March 2010 to 2 March 2014	0.938	11,220,900	6,650,900
Employees and others			
22 October 2006 to 21 October 2011	1.906	455,000	1,715,000
27 November 2008 to 26 November 2017	4.636	6,018,000	7,346,000
27 November 2008 to 26 November 2017	3.882	1,657,000	3,369,000
3 March 2010 to 2 March 2014	0.938	1,216,150	14,889,920
		31,954,050	43,535,820

The fair value of options granted during 2009, as determined by using the Black-Scholes valuation model, was HK\$5.7 million. The significant inputs into the model were share price of HK\$0.88 at the valuation date, exercise price at the date of granting the options, expected volatility of 49%, expected life of options of 3 years, expected dividend paid out rate of 1.4% and annual risk-free interest rate of 1.14%. The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over the past 3 years.

Notes to the Consolidated Financial Statements

32 RESERVES

(a) Group

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Investment reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2009											
As previously reported	1,682,615	30,001	99,089	13	482	—	—	346,091	529,395	5,969,791	8,657,477
Effect of adoption of HKAS12 (Amendment)	—	—	—	—	—	—	—	—	—	50,002	50,002
As restated	1,682,615	30,001	99,089	13	482	—	—	346,091	529,395	6,019,793	8,707,479
Comprehensive income											
Profit for the year	—	—	—	—	—	—	—	—	—	193,139	193,139
Other comprehensive income											
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
Transactions with equity holders											
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
Retained by:											
Company and subsidiaries	1,686,730	25,298	99,089	13	859	2,963	—	1,254,377	680,093	5,935,930	9,685,352
Jointly controlled entities	—	—	—	—	—	—	—	—	128,150	140,102	268,252
Associated companies	—	—	—	—	—	—	—	—	—	(181)	(181)
	1,686,730	25,298	99,089	13	859	2,963	—	1,254,377	808,243	6,075,851	9,953,423
At 31 December 2008											
As previously reported	1,682,615	27,923	99,089	13	482	—	4,498	—	550,264	5,093,777	7,458,661
Effect of adoption of HKAS12 (Amendment)	—	—	—	—	—	—	—	—	—	47,522	47,522
As restated	1,682,615	27,923	99,089	13	482	—	4,498	—	550,264	5,141,299	7,506,183
Comprehensive income											
Profit for the year	—	—	—	—	—	—	—	—	—	918,873	918,873
Other comprehensive income											
Translation differences	—	—	—	—	—	—	—	—	10,194	—	10,194
Translation differences for jointly controlled entities	—	—	—	—	—	—	—	—	1,185	—	1,185
Release of realised exchange difference	—	—	—	—	—	—	—	—	(32,248)	—	(32,248)
Change in fair value of non-current investments	—	—	—	—	—	—	—	346,091	—	—	346,091
Transactions with equity holders											
Redemption of convertible bonds	—	—	—	—	—	—	(4,498)	—	—	5,387	889
Fair value of share options	—	5,720	—	—	—	—	—	—	—	—	5,720
Lapse of share options	—	(3,642)	—	—	—	—	—	—	—	3,642	—
2008 final dividend	—	—	—	—	—	—	—	—	—	(24,704)	(24,704)
2009 interim dividend	—	—	—	—	—	—	—	—	—	(24,704)	(24,704)
At 31 December 2009	1,682,615	30,001	99,089	13	482	—	—	346,091	529,395	6,019,793	8,707,479
Retained by:											
Company and subsidiaries	1,682,615	30,001	99,089	13	482	—	—	346,091	424,370	5,873,448	8,456,109
Jointly controlled entities	—	—	—	—	—	—	—	—	105,025	146,471	251,496
Associated companies	—	—	—	—	—	—	—	—	—	(126)	(126)
	1,682,615	30,001	99,089	13	482	—	—	346,091	529,395	6,019,793	8,707,479

32 RESERVES (cont'd)

(b) Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2009	1,682,615	30,001	213,560	13	—	1,339,769	3,265,958
Comprehensive income							
Profit for the year	—	—	—	—	—	32,640	32,640
Transactions with equity holders							
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
At 31 December 2008	1,682,615	27,923	213,560	13	4,498	1,313,522	3,242,131
Comprehensive income							
Profit for the year	—	—	—	—	—	66,626	66,626
Transactions with equity holders							
Redemption of convertible bonds	—	—	—	—	(4,498)	5,387	889
Fair value of share options	—	5,720	—	—	—	—	5,720
Lapse of share options	—	(3,642)	—	—	—	3,642	—
2008 final dividend	—	—	—	—	—	(24,704)	(24,704)
2009 interim dividend	—	—	—	—	—	(24,704)	(24,704)
At 31 December 2009	1,682,615	30,001	213,560	13	—	1,339,769	3,265,958

The distributable reserves of the Company at 31 December 2010, under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,484,124,000 (2009: HK\$1,553,329,000).

33 BORROWINGS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Long-term bank loans (a)				
Secured	3,252,842	2,047,257	—	—
Unsecured	5,064,098	3,031,041	—	—
	8,316,940	5,078,298	—	—
Short-term bank loans (a)				
Secured	—	30,000	—	—
Unsecured	762,059	527,180	115,000	—
	9,078,999	5,635,478	115,000	—
Current portion included in current liabilities	(3,417,200)	(1,207,899)	—	—
	5,661,799	4,427,579	115,000	—

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Within one year	2,655,142	650,719	—	—
Between one to two years	3,405,941	1,999,834	—	—
Between two to five years	1,814,562	2,427,745	—	—
After five years	441,295	—	—	—
	8,316,940	5,078,298	—	—

- (a) The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 2.3% (2009: 2.0%).

33 BORROWINGS (cont'd)

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong dollar	6,593,700	4,234,934	115,000	—
RMB	2,290,745	1,221,163	—	—
Others	194,554	179,381	—	—
	9,078,999	5,635,478	115,000	—

(c) In March 2004, the Group issued an aggregate amount of HK\$864,260,000 0.5% guaranteed convertible bonds due in March 2009. The bonds were listed on the Luxembourg Stock Exchange and were convertible into shares of the Company on or after 23 April 2004 up to their maturity by 8 March 2009. The initial conversion price was HK\$2.25 per share, which was adjusted to HK\$1.88 per share in November 2005 and further to HK\$1.86 per share in January 2008 due to the payment of the special interim dividends. The bonds were matured on 23 March 2009 and the entire outstanding amount of HK\$20 million were redeemed at 91.49% of their principal amount.

34 DEFERRED TAXATION**Group**

	31 December 2010 HK\$'000	(Restated) 31 December 2009 HK\$'000	(Restated) 1 January 2009 HK\$'000
Deferred taxation assets	35,149	24,320	—
Deferred taxation liabilities	(808,206)	(738,175)	(561,366)
	(773,057)	(713,855)	(561,366)

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.

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

	Accelerated depreciation allowance	Fair value gains	Convertible bonds	Undistributed profits of subsidiaries & a jointly controlled entity	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2008						
As previously reported	(56,116)	(488,071)	(889)	(61,040)	(2,772)	(608,888)
Effect of early adoption of HKAS12 (Amendment)	—	47,522	—	—	—	47,522
As restated	(56,116)	(440,549)	(889)	(61,040)	(2,772)	(561,366)
Exchange differences	(116)	(1,100)	—	(105)	—	(1,321)
Redemption of convertible bonds	—	—	889	—	—	889
(Charged)/credited to profit and loss statement	(15,809)	(138,838)	—	(18,480)	12,619	(160,508)
Transferred to tax payable	—	—	—	8,451	—	8,451
At 31 December 2009	(72,041)	(580,487)	—	(71,174)	9,847	(713,855)
At 31 December 2009						
As previously reported	(72,041)	(630,489)	—	(71,174)	9,847	(763,857)
Effect of early adoption of HKAS12 (Amendment)	—	50,002	—	—	—	50,002
As restated	(72,041)	(580,487)	—	(71,174)	9,847	(713,855)
Exchange differences	(2,842)	(20,092)	—	(2,779)	869	(24,844)
(Charged)/credited to profit and loss statement	(15,888)	328	—	1,683	6,935	(6,942)
Transferred to tax payable	—	—	—	3,996	—	3,996
Acquisition of additional interest of a subsidiary	—	—	—	(31,412)	—	(31,412)
At 31 December 2010	(90,771)	(600,251)	—	(99,686)	17,651	(773,057)

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\$107,129,000 (2009: HK\$82,231,000) arising from unused tax losses and other temporary differences totalling of HK\$578,035,000 (2009: HK\$450,743,000) have not been recognised in the financial statements. Unused tax losses of HK\$439,768,000 (2009: HK\$358,285,000) have no expiry date and the balance will expire at various dates up to and including 2015.

As at 31 December 2010, deferred taxation liabilities 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.

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

	Convertible bonds	Others	Total
	HK\$'000	HK\$'000	HK\$'000
At 31 December 2008	(889)	(17,066)	(17,955)
Redemption of convertible bonds	889	—	889
Charged to profit and loss statement	—	17,066	17,066
At 31 December 2009 and 2010	—	—	—

35 CREDITORS AND ACCRUALS

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	340,476	264,674	—	—
Other creditors	44,757	64,665	2,561	2,799
Amounts due to non-controlling interests	124,407	108,941	—	—
Accrued operating expenses	52,247	44,703	—	—
Advanced proceeds on sale of properties	862,790	134,201	—	—
Rental deposits received	97,117	86,318	—	—
	1,521,794	703,502	2,561	2,799

Balances with 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	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	177,584	166,480	2,561	2,799
RMB	1,337,967	517,760	—	—
Singapore dollar	6,243	7,254	—	—
Japanese Yen	—	12,008	—	—
	1,521,794	703,502	2,561	2,799

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 :

	2010 HK\$'000	2009 HK\$'000
Within one month	340,476	263,071
Two to three months	—	1,547
Four to six months	—	24
Over six months	—	32
	340,476	264,674

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation to cash (used in)/from operations**

	2010 HK\$'000	(Restated) 2009 HK\$'000
Profit before taxation	441,714	2,047,952
Share of profits of jointly controlled entities	(41,349)	(40,798)
Share of losses of associated companies	55	57
Finance costs	19,064	33,398
Change in fair value of investment properties	(90,521)	(608,646)
Depreciation	8,922	6,209
Amortisation of leasehold land and land use rights	60	707
Interest income	(26,430)	(16,357)
Loss/(gain) on disposal of property, plant and equipment	82	(240)
(Write-back)/provision for mortgage loans receivable	(420)	420
Write-back of provision for construction costs	(10,088)	(19,459)
Write-back of impairment loss	—	(64,008)
Share options expenses	—	5,720
Release of realised exchange difference from exchange reserve	(11,393)	(32,248)
Operating profit before working capital changes	289,696	1,312,707
Increase in development properties	(1,771,897)	(647,165)
Increase in debtors and prepayments	(45,995)	(109,441)
Decrease in mortgage loans receivable	561	480
Increase in creditors and accruals	807,034	166,741
Cash (used in)/from operations	(720,601)	723,322

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 2008	1,929,653	1,198,556	4,743,687	7,871,896
Change in exchange rates	—	2,400	8,757	11,157
Redemption of convertible bonds	—	—	(18,298)	(18,298)
Share of profits of non-controlling interests	—	363,519	—	363,519
Effective interest of convertible bonds	—	—	202	202
Dividends paid to non-controlling shareholders	—	(71,774)	—	(71,774)
Cash flows from financing activities	—	—	901,130	901,130
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

37 COMMITMENTS**Group**

	2010 HK\$'000	2009 HK\$'000
(a) Contracted but not provided for		
Commitments in respect of property development of the Group and its jointly controlled entities	2,259,312	1,603,057

37 COMMITMENTS (cont'd)**(b) Operating lease commitments**

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

	2010 HK\$'000	2009 HK\$'000
Within one year	1,095	431
Two to five years	479	32
	1,574	463

(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 :

	2010 HK\$'000	2009 HK\$'000
Within one year	269,209	262,059
Two to five years	345,228	323,085
After five years	9,817	15,418
	624,254	600,562

38 GUARANTEES

As of 31 December 2010, the Group and the Company have executed the following guarantees in favour of the following parties:

Group

	2010		2009	
	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	1,621,900	2,404,250	1,494,750
— associated companies	1,650,000	1,053,900	1,008,750	658,350
	4,171,250	2,675,800	3,413,000	2,153,100

38 GUARANTEES (cont'd)**Company**

	2010		2009	
	Outstanding HK\$000	Utilised HK\$000	Outstanding HK\$000	Utilised HK\$000
Banks and financial institutions in respect of loan facilities granted to:				
— subsidiaries	7,093,690	6,414,390	5,651,560	4,351,735
— jointly controlled entities	2,521,250	1,621,900	2,404,250	1,494,750
— associated companies	1,650,000	1,053,900	1,008,750	658,350
	11,264,940	9,090,190	9,064,560	6,504,835

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.

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 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:

	2010 HK\$'000	2009 HK\$'000
Fees	503	576
Salaries and other emoluments	21,041	8,754
Discretionary bonuses	3,806	779
Pension costs-defined contribution plans	2,054	761
Share options	—	1,709
	27,404	12,579

- (b) Rental income from an investee company amounted to HK\$2,037,000 (2009: HK\$1,992,000) based on the terms of rental agreement between the parties.

40 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital			Principal activities
		Number of ordinary shares	Par value per share	Effective percentage of equity held by the Group	
Directly held by the Company					
Incorporated in the British Virgin Islands					
			US\$		
Sutimar Enterprises Limited	Hong Kong	100	1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
			HK\$		
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

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		
Indirectly held by the Company (cont'd)					
Incorporated in the British Virgin Islands					
			US\$		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
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
K. Wah International Finance Limited	Hong Kong	10	1	100	Provision of finance
League Trend Limited	Hong Kong	1	1	100	Investment holding
Leharne Properties Limited	Hong Kong	10	1	100	Investment holding
Million Link Group Limited	Hong Kong	1	1	100	Investment holding
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
Incorporated in Mainland China					
			Registered Capital		
Wholly-owned foreign enterprise					
廣州市嘉華花都置業有限公司	Guangzhou		HK\$165,000,000	100	Property development
廣州嘉揚房地產開發有限公司	Guangzhou		HK\$300,000,000	100	Property development
江門市嘉豐房地產開發有限公司	Jiangmen		HK\$90,000,000	100	Property development
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\$143,000,000 (Paid up: US\$110,230,198)	100	Property development
上海嘉澤房地產開發經營有限公司	Shanghai		RMB800,000,000 (Paid up: RMB160,000,000)	100	Property development
Shanghai Jia Zhao Real Estate Development Co., Ltd.	Shanghai		US\$119,500,000	100	Property development
Cooperative joint venture					
廣州滙城房地產開發有限公司	Guangzhou		HK\$600,000,000	99.99	Property development
廣州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
Equity joint venture					
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 (Paid up: US\$98,100,000)	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		Principal activities
			Par value per share	Effective percentage of equity held by the Group	
Directly held by the Company					
Incorporated in Mainland China					
Shanghai Baoland Co., Ltd.	Shanghai		Registered capital RMB717,674,797	41.5	Property development
Indirectly held by the Company					
Incorporated in Hong Kong					
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
Incorporated in the British Virgin Islands					
Full Raise International Limited	Hong Kong	1,000	US\$ 1	25	Investment holding
Homeast Limited	Hong Kong	1,000	1	35	Investment holding

(c) Associated Companies (note)

Name of company	Principal place of operation	Number of ordinary shares	Issued share capital		Principal activities
			Par value per share	Effective percentage of equity held by the Group	
Indirectly held by the Company					
Incorporated in Hong Kong					
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
Incorporated in the British Virgin Islands					
Garwin Investment Limited	Hong Kong	1,000	US\$ 1	15	Investment holding
Nimble Limited	Hong Kong	100	1	15	Investment holding
Vantage Plus Investments Limited	Hong Kong	100	1	15	Investment holding

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

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
INVESTMENT AND OTHER PROPERTIES						
Singapore						
San Centre, 171 to 187 Chin Swee Road, Singapore (Note)	Office	5,747	100	2068	Completed	Existing
Hong Kong						
K. Wah Centre, 28th, 29th and 30th Floors 191 Java Road, North Point	Office	2,926	100	2106	Completed	Existing
Skyline Commercial Centre, 71, 73, 75 & 77 Wing Lok Street, Sheung Wan	Office/ Commercial	3,894	100	2841	Completed	Existing
Mainland China						
Shanghai K. Wah Center Lot No. 26, Street No. 6, Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	69.6	2047	Completed	Existing
Note: Floor area of 1,964 sq. metres of San Centre is held for sale.						
DEVELOPMENT PROPERTIES						
Hong Kong						
Kingsfield Centre, 18–20 Shell Street, North Point, Tsing Lung Tau	Office	1,873	100	2069	Completed	Existing
The Great Hill No. 8 Tung Lo Wan Hill Road, Sha Tin	Residential	8,300	100	2054	Completed	Existing
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	6,340	100	2070	Completed	Existing
2 Grampian Road, Kowloon	Residential	6,100	100	2047	Planning	2014
Tai Po Town Lot No. 188 at Pak Shek Kok, Reclamation Phase 1, Site C, Tai Po, New Territories	Residential	69,700	25	2057	Construction	2012

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
DEVELOPMENT PROPERTIES (cont'd)						
Hong Kong (cont'd)						
Kowloon Inland Lot No. 11073 at Junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road	Residential/ Commercial	60,500	15	2057	Construction	2012
Tai Po Town Lot No. 186 at Pak Shek Kok Development Area, Phase I, Site B, Tai Po, New Territories	Residential	66,500	15	2057	Construction	2012
Aberdeen Inland Lot No. 451 at Welfare Road, Aberdeen, Hong Kong	Residential	60,000	35	2057	Construction	2012
No.30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,000	50	2090	Planning	2012 and beyond
Tai Po Town Lot No. 201, Tai Po	Residential	67,000	15	2059	Planning	2012 and beyond
Mainland China						
Xinhua Zhen, Huadu City, Guangdong	Mix Use	830,000	99.99	2034 to 2068	Construction	2012 and beyond
廣州市花都區新華街迎賓大道北地塊	Residential/ Commercial/ Office	269,000	100	2039 to 2069	Construction	2011 and beyond
廣州市花都區建設北路地塊	Residential	46,000	100	2077	Construction	2011
Lot A&B, No. 68 Jianguo Xi Road, Xuhui District, Shanghai	Mix Use	140,000	100	2065	Construction	2012 and beyond
Plot Phase III of Yanjiazhai Jingan District, Shanghai	Residential	100,000	99	2072	Construction	2012 and beyond
Lot No. 701 Guangzhong Road, Zhabei District, Shanghai (Phase III)	Residential	100,000	100	2073	Construction	2011
Plot B3, B4 Zhujiajiao Qingpu District Shanghai	Residential/ Commercial	70,000	100	2050 to 2080	Planning	2013 and beyond
上海市閔行區吳涇鎮385街坊	Residential/ Commercial	168,000	100	2048 to 2078	Construction	2012 and beyond
上海市閘北區北站街道43街坊10丘	Commercial	20,000	53.61	2056	Planning	2014



Project Gallery
項目一覽



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

Type 項目類別
Large-scale residential project
大型住宅項目

Location 位置
Daning 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



Progress as of early 2011
直至 2011年初之進度



The Palace, Shanghai 上海嘉御庭

Type 項目類別
Luxury residential apartments and
high-class commercial facilities
豪華住宅及高級商業設施

Location 位置
Jianguo Xi Road, Xuhui District, Shanghai
上海徐匯區建國西路

Gross Floor Area 總樓面面積
140,000 sqm / 平方米





Grand Summit, Shanghai 上海嘉天匯

Type 項目類別
Contemporary residential development
時尚高級住宅

Location 位置
Urumqi Road, Jingan District, Shanghai
上海靜安區烏魯木齊路

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



Progress as of March 2011
直至2011年3月之進度



Upstream Park, Shanghai 上海嘉怡水岸

Type 項目類別
Integrated residential and commercial complex
綜合住宅及商業項目

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



Progress as of February 2011
直至 2011年2月之進度



Le Palais, Guangzhou 廣州嘉爵園

Type 項目類別
Residential development
住宅

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



Progress as of February 2011
直至 2011年2月之進度



Phase 1, Yingbin Road Project, Huadu, Guangzhou 廣州花都迎賓大道項目第一期

Type 項目類別
Integrated development with
a 5-star business hotel and premium office
涵蓋五星級商務酒店及高級寫字樓之綜合項目

Location 位置
Yingbin Road, Xinhua Zhen,
Huadu District, Guangzhou
廣州花都區新華鎮迎賓大道

Gross Floor Area 總樓面面積
42,000 sqm / 平方米



Progress as of February 2011
直至 2011年2月之進度



Phase 1, Mega Integrated Project, Huadu, Guangzhou
廣州花都新華鎮超大型國際社區項目第一期

Type 項目類別
Large-scale integrated community
大型綜合社區

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

Gross Floor Area 總樓面面積
77,000 sqm / 平方米





Chantilly, Hong Kong 香港嘉柏薈

Type 項目類別
Low rise luxury residential
低密度豪宅

Location 位置
6 Shiu Fai Terrace, Stubbs Road, Hong Kong
香港司徒拔道筆輝臺6號

Gross Floor Area 總樓面面積
6,340 sqm / 平方米





The Great Hill, Hong Kong 香港嘉御山

Type 項目類別
Luxury residential
超級豪宅

Location 位置
8 Tung Lo Wan Hill Road, Shatin, Hong Kong
香港沙田銅鑼灣山路8號

Gross Floor Area 總樓面面積
30,000 sqm / 平方米





Aberdeen Inland Lot No. 451, Hong Kong
香港仔惠福道內地段451號

Year of Acquisition 購入年份
2007

Gross Floor Area 總樓面面積
60,000 sqm / 平方米

Group's Interest 集團權益
35%



Tai Po Town Lot No. 186, 188 & 201, Hong Kong
香港大埔市地段186, 188及201號

Year of Acquisition 購入年份
186/188 : 2007
201 : 2010

Gross Floor Area 總樓面面積
186 : 66,500 sqm / 平方米
188 : 69,700 sqm / 平方米
201 : 67,000 sqm / 平方米

Group's Interest 集團權益
186 : 15%
188 : 25%
201 : 15%



2 Grampian Road, Kowloon, Hong Kong
香港九龍嘉林邊道2號

Year of Acquisition 購入年份
2009

Gross Floor Area 總樓面面積
6,100 sqm / 平方米

Group's Interest 集團權益
100%



Kowloon Inland Lot No. 11073, Hong Kong
香港西九龍海泓道內地段11073號

Year of Acquisition 購入年份
2007

Gross Floor Area 總樓面面積
60,500 sqm / 平方米

Group's Interest 集團權益
15%



30 Po Shan Road, Hong Kong
香港寶珊道30號

Year of Acquisition 購入年份
2010

Gross Floor Area 總樓面面積
3,000 sqm / 平方米

Group's Interest 集團權益
50%



Qingpu District Project, Shanghai
上海市青浦區項目

Year of Acquisition 購入年份
2010

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

Group's Interest 集團權益
100%



Shanghai K. Wah Centre 上海嘉華中心

Type 項目類別
Grade A office
甲級商廈

Location 位置
1010 Huaihai Zhong Road, Shanghai
上海淮海中路1010號

Gross Floor Area 總樓面面積
72,000 sqm / 平方米





J SENSES, Hong Kong 香港嘉薈軒商場

Type 項目類別
Arcade
特色商舖

Location 位置
60 Johnston Road, Wanchai, Hong Kong
香港灣仔莊士敦道 60 號

Gross Floor Area 總樓面面積
3,400 sqm / 平方米





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Financial Calendar

DATES	EVENTS
22 July 2011	Payment of 2010 final cash dividend
20 June 2011	2011 annual general meeting
14 June 2011 to 20 June 2011 (both dates inclusive)	Closure of registers of members
29 March 2011	Announcement of annual results for the year ended 31 December 2010
5 November 2010	Payment of 2010 interim cash dividend
24 August 2010	Announcement of interim results for the six months ended 30 June 2010

財務誌要

日期	事宜
二零一一年七月二十二日	派發二零一零年度之末期現金股息
二零一一年六月二十日	二零一一年股東週年大會
二零一一年六月十四日至 二零一一年六月二十日(首尾兩天包括在內)	暫停辦理股份過戶登記手續
二零一一年三月二十九日	公佈截至二零一零年十二月三十一日止年度之全年業績
二零一零年十一月五日	派發二零一零年度之中期現金股息
二零一零年八月二十四日	公佈截至二零一零年六月三十日止六個月之中期業績

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