

RW 嘉華國際集團有限公司

K. WAH INTERNATIONAL HOLDINGS LIMITED

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

Stock code 股份代號 00173

INTERIM REPORT 2020 中期報告



Delivering Value with
Distinctive Quality
建優創值 力臻恆遠

OUR MISSION

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

企業使命

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

K. Wah International Holdings Limited (“KWIH” or “the Group”, stock code: 00173) is the listed property arm of K. Wah Group. With a strong foothold established in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of residential developments, Grade A office towers, hotel, serviced apartments and retail complexes are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Cresleigh Property, the property management arm of the Group, delivers exceptional hotel serviced property management services guided by advanced and international standards in general to premium residential buildings, commercial facilities, office towers and real estate complexes.

Sharing the common vision of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers’ needs and creating added value in the projects we undertake as a premier brand.

Taking pride in our track record and strong financial capability, guided by the spirit of prudence and excellence, we will continue to adopt a progressive strategy with a disciplined approach in land acquisition, in strive for setting ever higher standards of quality living spaces and delivering long term shareholder value.

公司簡介

嘉華國際集團有限公司(「嘉華國際」或「集團」；股份代號：00173)為嘉華集團旗下之房地產業務旗艦，創立並紮根於香港，至今已發展成以香港、長三角及珠三角地區為策略據點之綜合發展商及投資者，所開發之項目均以品質精優見稱。

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

集團旗下的嘉英物業以先進的管理理念和國際高端精品酒店的營運模式，為物業提供專業及優質的管理服務，其服務類型涵蓋主流及高端住宅、商業設施、寫字樓和房地產綜合體。

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

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



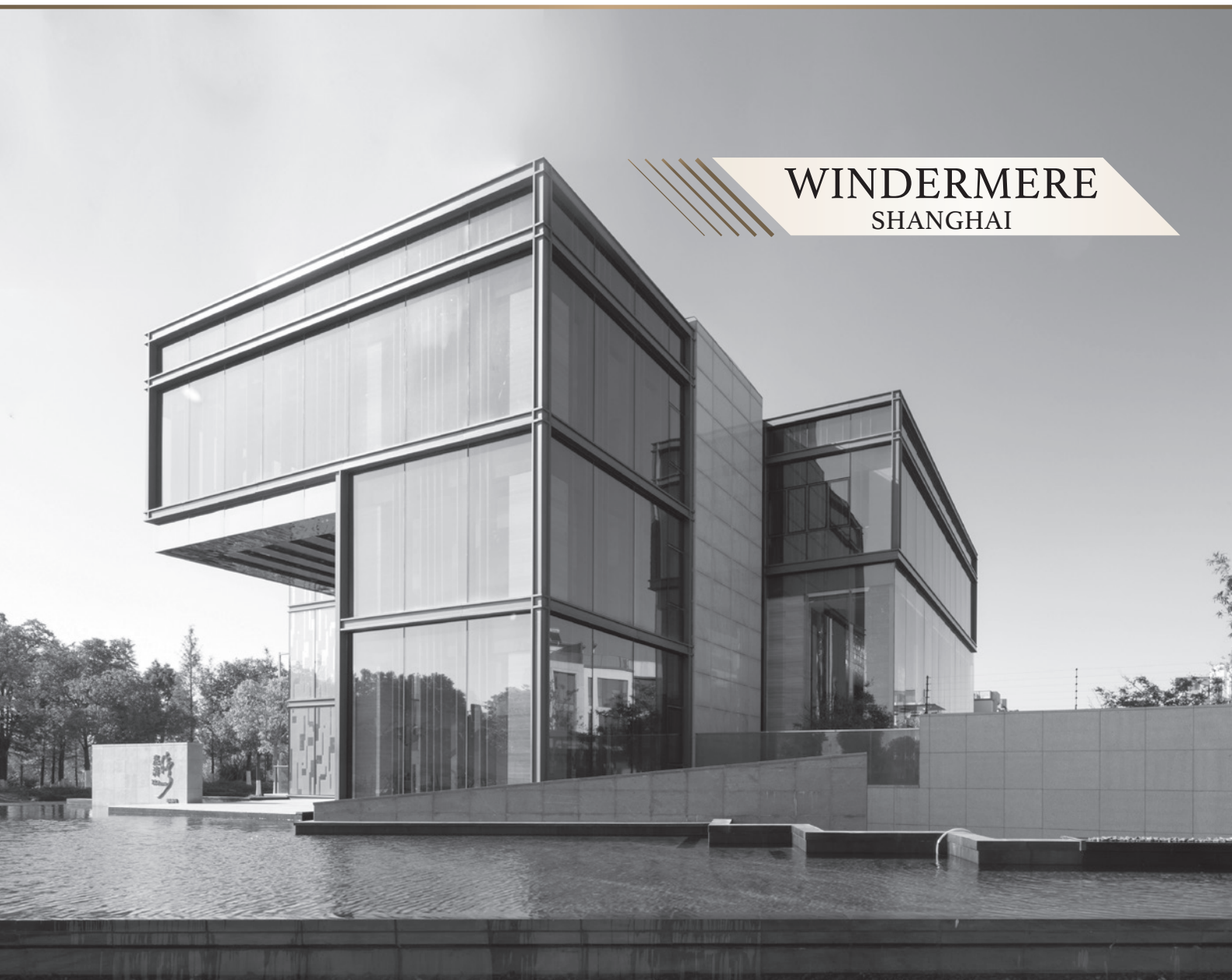
Company website

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WINDERMERE
SHANGHAI



Corporate Information

CHAIRMAN & MANAGING DIRECTOR

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

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. William Yip Shue Lam, *LLD*

Mr. Au Man Chu (retired on 25 August 2020)

Mr. Wong Kwai Lam

Mr. Nip Yun Wing

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

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

Mr. Au Man Chu (retired on 25 August 2020)

Mr. Nip Yun Wing (appointed on 1 March 2020)

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

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

Mr. Wong Kwai Lam

NOMINATION COMMITTEE

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

Dr. William Yip Shue Lam, *LLD*

Mr. Wong Kwai Lam

COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, K. Wah Centre

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North Point

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

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Wanchai

Hong Kong

WEBSITE ADDRESS

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SHARE LISTING

The Stock Exchange of Hong Kong Limited

(“HK Stock Exchange”)

STOCK CODE

HK Stock Exchange : 00173

Bloomberg : 173 HK

Reuters : 0173.HK

Interim Results Highlights and Interim Dividend

INTERIM RESULTS HIGHLIGHTS

The board of directors ("Board") of K. Wah International Holdings Limited ("Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the "Group") as follows:

- Underlying profit increased by 85% to HK\$2,736 million whereas, profit attributable to equity holders also increased by 68% to HK\$2,556 million.
- Revenue of the Group was HK\$8,407 million and taking into account joint ventures and associated companies, total attributable revenue of the Group increased by 59% to HK\$8,466 million.
- Earnings per share was 81.77 HK cents and an interim dividend per share of 7 HK cents was declared.
- Attributable contracted sales of the Group for the Period amounted to approximately HK\$3.7 billion.
- As of 30 June 2020, attributable contracted sales of the Group yet to be recognised amounted to approximately HK\$6.3 billion.
- As of 30 June 2020, net asset value per share increased to HK\$12.87.
- The Group continues to assess any opportunities, where appropriate, to replenish its landbank in Hong Kong, and The Pearl River and Yangtze River Deltas, on a disciplined basis and in a cautious manner given the prevailing market uncertainty due to the resurgence of the COVID-19 pandemic and escalating geopolitical tensions.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2020 of 7 HK cents per share, totaling HK\$218,818,000, payable on 21 October 2020 to the shareholders whose names appear on the registers of members of the Company at the close of business on 17 September 2020 (2019: 6 HK cents per share, totaling HK\$187,511,000). It is expected that the dividend warrants will be posted to those entitled on 21 October 2020.

Management Discussion and Analysis

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2020 ("Period") was HK\$8,407 million, primarily derived from the property sales of Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, The Peak in Nanjing, Phase III of Huadu Jiahua Plaza in Guangzhou, Silver Cove in Dongguan and the rental income of Shanghai K. Wah Centre. The amount was substantially above that for the same period last year as majority of the pre-sold units for Solaria completed were handed over to the buyers with revenue recognised in the Period. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$59 million) was HK\$8,466 million for the Period.

Profit attributable to equity holders of the Company was HK\$2,556 million, while underlying profit of the Group (before fair value change of investment properties) was HK\$2,736 million for the Period.

The total comprehensive income attributable to equity holders of the Company for the Period was HK\$1,335 million after accounting for the fair value change on the non-current investment of an interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets as of the Period end.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) for the Period amounted to approximately HK\$3.7 billion, mainly derived from K. Summit and Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, Silver Cove in Dongguan, J City in Jiangmen and joint venture projects in Mainland China.

As of 30 June 2020, the Group had unrecognised attributable contracted sales amounted to approximately HK\$6.3 billion, expected to be accounted for in the second half of 2020 and 2021.

Operation Review

Hong Kong

The Group continued to market K. Summit and Solaria during the Period. New batches of units at K. Summit were put up for sale in the Period and contracted sales of approximately HK\$1.8 billion were achieved. For Solaria, the handover of pre-sold units started in late February with the corresponding sales revenue of approximately HK\$7 billion recognised, while new contracted sales for the Period amounted to approximately HK\$0.5 billion. Construction of all projects progressed as scheduled, including the Gramplan Road project and joint venture projects of Kam Sheung Road and Cheung Sha Wan.

Rental revenue dropped as concessions were granted to certain tenants whose businesses were adversely impacted by social gathering ban due to the COVID-19 pandemic during the Period. The Group's investment properties however continued to achieve high occupancy. Our premium dining and shopping arcade J SENSES and a commercial complex at Twin Peaks, were respectively 100% and 93% let as of the Period end.

Mainland China

During the Period, despite the pandemic in Mainland China, the Group successfully marketed the remaining units of its completed projects, particularly from late March in those re-opened cities where the Group has investments: The Palace Phase III and Windermere in Shanghai, The Peak in Nanjing, J Metropolis, J Wings and the apartments in Phase III of Huadu Jiahua Plaza in Guangzhou, and Silver Cove in Dongguan. The Group also launched two new residential projects, the wholly-owned J City and a joint venture project Jiajun Garden in Jiangmen during the Period. The handover of sold units of various projects continued smoothly. On the other hand, due to the pandemic, the construction of certain developing projects had been suspended for a short period of time during and post the Chinese New Year holidays but resumed in April. The development of the projects under construction remains on schedule.

Leasing operations for our investment properties suffered from the city lockdowns in February/March to fight against the coronavirus and concessions were granted to the most affected tenants. We however saw the occupancy remain stable and the business environment improved gradually from the middle of the second quarter. Our prime office building, Shanghai K. Wah Centre in Shanghai, maintained an average occupancy of over 90% while our serviced apartments achieved an overall occupancy of around 75%. Palace Lane was fully let as of the Period end and other commercial facilities continued to achieve stable occupancy. EDGE, our new office premises with commercial portions in Jingan District, Shanghai, was launched on the market and is expected to start contributing in the second half of the year.

Investment in GEG

The Group maintains the investment of 162 million shares, or an approximate 3.75% interest, in GEG carried at fair market value. As of 30 June 2020, the share price of GEG was HK\$52.75 compared with HK\$57.4 as of 31 December 2019. The change in fair value of approximately HK\$756 million was directly recorded in reserve. Dividend derived from our shareholding in GEG remained stable compared to the same period of 2019 and it is expected to continue to be a source of our recurring income.

OUTLOOK AND STRATEGY

Global and Mainland China

During the Period, the global economy was severely affected by the pandemic which substantially halted global economic activity. Escalating geopolitical tensions further dampened the confidence of both consumers and investors.

Major countries recorded negative GDP growth in the first two quarters while they are still struggling against the pandemic except Mainland China which already turned around and achieved 3.2% growth in the second quarter. In Hong Kong, GDP growth recorded the worst quarterly drop since records began in 1974 of 8.9% in the first quarter which enlarged further to 9% in the second quarter and it is not expected to turn around soon.

The property market in Hong Kong and Mainland China

In response to the pandemic, ample amount of funds were injected into the market by major developed countries with a “zero or a negative interest rate policy” adopted. Together with the liquidity in the Hong Kong banking market, the pent-up underlying demand ensured a resilient residential property market, with price and transactions stable in the Period. Despite the prevailing economic slowdown and an increasing unemployment rate, the supporting fundamentals remain and the property market is not expected to see significant adjustments in the near term. On the other hand, the Mainland China property market saw stronger momentum and sales activities rebounded soon after city lockdowns were lifted. The government in response adopted lately more restrictive measures in certain cities to prevent the property market from overwhelming.

Management Discussion and Analysis

Despite the pandemic and the tension between Mainland China and US, we remain conservatively optimistic on the Hong Kong and Mainland China property markets in the medium and longer term. In the second half of 2020 or early 2021, the Group will be launching its new Hong Kong projects on Grampian Road and in Cheung Sha Wan, as well as new Mainland China projects in the Songshan Lake District of Dongguan, Suzhou and Huadu of Guangzhou, while also putting more units of launched projects onto the market, in order to meet buyers' demand.

Land bank replenishment

The Group participated in a number of land bids in the Period and will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and Mainland China.

Conclusion

While the pandemic is escalating and vaccine(s) will not be available soon, the consequential impact of the pandemic on the world is yet to be fully reflected. Given the recent recurrence of the epidemic in Hong Kong, the economy may take a longer time to recover. Escalating geopolitical tensions, profound changes in the international landscape and the signs of de-globalisation all cast significant uncertainties and volatilities in the global economy.

Despite this challenging business environment, the Group remains cautiously optimistic about the Hong Kong and Mainland China property market demand. With a pragmatic mindset backed by our wealth of experience, the Group will overcome the prevailing challenges and continue to stably develop its business. The Group will continue to develop our existing projects and to launch projects in our pipeline depending on the market situations, as well as to replenish our land bank in a cautious and disciplined manner. The Group, with its solid financial resources and a positive outlook of property market demand in Hong Kong and Mainland China, is well positioned to grasp any opportunities in the uncertain market, both in Hong Kong and Mainland China.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained stable. As of 30 June 2020, total funds employed (being total equity and total borrowings and guaranteed notes) were HK\$61 billion (31 December 2019: HK\$61 billion). The number of issued shares of the Company increased to 3,125,974,615 as of 30 June 2020 (31 December 2019: 3,125,174,615) as a result of the exercise of share options during the Period.

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 30 June 2020, the Group's borrowings of bank loans and guaranteed notes were HK\$19,473 million. The maturity profile spread over a period of up to five years except for an amount of HK\$188 million which is due after 5 years and 8% of the total is repayable within one year. The average interest rate for the Group during the Period was approximately 2.5%.

In addition, the Group had available undrawn facilities totaling HK\$19,514 million, comprising HK\$13,494 million for working capital and HK\$6,020 million for project facility purposes.

As of 30 June 2020, cash and bank deposits stood at HK\$5,016 million, with approximately 67% held in Renminbi. The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, decreased from 37% as of last year end to 35% as of 30 June 2020.

A 4-year revolving credit and term loan facility of HK\$4 billion was executed in March 2020 for refinancing at favourable cost and enhancing the Group's funding capability.

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to mitigate the impact of any undue interest rate fluctuations on the Group's operations. Accordingly, interest rate swap contracts for the total amount of HK\$2.3 billion were executed for 3 years or 5 years as of the Period end.

Of the Group's bank loans and guaranteed notes of HK\$19,473 million as of 30 June 2020, approximately 92% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 83% of such borrowings and notes was on a floating rate basis, with the remainder on a fixed rate basis after hedging.

Charges on Group Assets

As of 30 June 2020, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$18,895 million (31 December 2019: HK\$18,504 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2020, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures, amounting to HK\$7,586 million (31 December 2019: HK\$7,483 million), of which facilities totaling HK\$5,887 million (31 December 2019: HK\$5,867 million) have been utilised. In addition, the Group provided guarantees amounting to HK\$644 million (31 December 2019: HK\$1,186 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

As of 30 June 2020, the Company has executed guarantees in favour of banks, in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK\$34,989 million (31 December 2019: HK\$32,364 million) and HK\$7,448 million (31 December 2019: HK\$7,453 million) respectively. Of these, facilities totaling HK\$17,580 million (31 December 2019: HK\$18,685 million) and HK\$5,887 million (31 December 2019: HK\$5,867 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2020, the Group employs 973 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$217 million for the period under review.

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

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. Pursuant to which, the Company had in July 2020 granted a total of 25,410,000 share options to the Company's directors and certain employees of the Group at an exercise price of HK\$3.462. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

Report on Review of Interim Financial Information



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
K. WAH INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 26, which comprises the condensed consolidated balance sheet of K. Wah International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated profit and loss statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince’s Building

Central, Hong Kong

20 August 2020

Condensed Consolidated Profit and Loss Statement (unaudited)

	Note	For the six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	6	8,406,721	5,123,730
Cost of sales		(4,310,186)	(2,893,076)
Gross profit		4,096,535	2,230,654
Other operating income		224,960	153,133
Other net (losses)/gains		(77,656)	14,445
Change in fair value of investment properties		(212,789)	70,377
Other operating expenses		(361,913)	(207,815)
Administrative expenses		(269,262)	(273,333)
Finance costs	7	(14,930)	(7,027)
Share of profits of joint ventures		22,788	69,704
Share of (losses)/profits of associated companies		(3,112)	37,360
Profit before taxation	8	3,404,621	2,087,498
Taxation charge	9	(841,140)	(513,432)
Profit for the period		2,563,481	1,574,066
Attributable to:			
Equity holders of the Company		2,555,901	1,525,583
Non-controlling interests		7,580	48,483
		2,563,481	1,574,066
Earnings per share	10	HK cents	HK cents
Basic		81.77	48.82
Diluted		81.71	48.76

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit for the period	2,563,481	1,574,066
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified to profit and loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(755,551)	463,079
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	(490,194)	(103,689)
Other comprehensive (loss)/income for the period	(1,245,745)	359,390
Total comprehensive income for the period	1,317,736	1,933,456
Total comprehensive income attributable to:		
Equity holders of the Company	1,334,535	1,893,443
Non-controlling interests	(16,799)	40,013
	1,317,736	1,933,456

Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	(unaudited) 30 June 2020 HK\$'000	(audited) 31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		361,035	377,281
Investment properties		14,694,827	15,140,988
Right-of-use assets		20,235	22,486
Joint ventures		10,828,440	10,615,223
Associated companies		2,175,726	2,192,007
Financial assets at fair value through other comprehensive income		8,571,033	9,326,584
Deferred taxation assets		73,882	119,465
Derivative financial instruments		–	4,334
Other non-current assets		681,046	583,312
		37,406,224	38,381,680
Current assets			
Development properties		25,011,893	28,269,442
Inventories		1,779	1,658
Amount due from a joint venture		142,713	157,817
Amounts due from associated companies		–	15,707
Debtors and prepayments	13	574,228	625,445
Financial assets at fair value through profit or loss		1,418,586	1,312,704
Taxes recoverable		616,618	351,508
Cash and bank deposits	14	5,016,314	5,443,079
		32,782,131	36,177,360
Total assets		70,188,355	74,559,040
EQUITY			
Share capital	15	312,597	312,517
Reserves		39,910,212	38,573,520
Shareholders' funds		40,222,809	38,886,037
Non-controlling interests		1,176,700	1,231,899
Total equity		41,399,509	40,117,936
LIABILITIES			
Non-current liabilities			
Borrowings	16	17,369,462	15,170,602
Guaranteed notes	17	552,130	1,001,208
Derivative financial instruments		71,240	–
Lease liabilities		5,251	7,033
Deferred taxation liabilities		2,491,749	2,526,798
		20,489,832	18,705,641
Current liabilities			
Amounts due to joint ventures		1,304,441	1,260,655
Amounts due to associated companies		127,657	80,099
Creditors, accruals and other liabilities	18	1,174,827	1,412,838
Pre-sales deposits		1,683,870	5,944,004
Current portion of borrowings	16	1,101,349	4,269,151
Current portion of guaranteed notes	17	449,632	–
Taxes payable		2,457,238	2,768,716
		8,299,014	15,735,463
Total liabilities		28,788,846	34,441,104
Total equity and liabilities		70,188,355	74,559,040
Net current assets		24,483,117	20,441,897
Total assets less current liabilities		61,889,341	58,823,577

Condensed Consolidated Cash Flow Statement (unaudited)

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash generated from operating activities	703,625	2,695,303
Cash flows from investing activities		
Net changes in balances with joint ventures	(143,837)	(1,717,218)
Net changes in balances with associated companies	76,335	55,215
Increase in financial assets at fair value through profit or loss	(119,334)	(888,939)
Dividend received from an associated company	–	80,000
Decrease/(increase) in bank deposits	61,266	(1,401)
Others	121,465	126,345
Net cash used in investing activities	(4,105)	(2,345,998)
Cash flows from financing activities		
New bank loans	7,472,965	5,026,380
Repayments of bank loans	(8,445,608)	(6,648,814)
Principal elements of lease liabilities	(1,825)	(1,849)
Repayment of capital to non-controlling interests	(38,400)	(31,716)
Issues of new shares	2,237	1,482
Net cash used in financing activities	(1,010,631)	(1,654,517)
Net decrease in cash and cash equivalents	(311,111)	(1,305,212)
Cash and cash equivalents at beginning of the period	5,380,609	7,426,074
Changes in exchange rates	(53,184)	(21,499)
Cash and cash equivalents at end of the period	5,016,314	6,099,363

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2020

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2020	312,517	9,694,346	28,879,174	38,886,037	1,231,899	40,117,936
Comprehensive income						
Profit for the period	-	-	2,555,901	2,555,901	7,580	2,563,481
Other comprehensive loss						
Other comprehensive loss for the period	-	(1,221,366)	-	(1,221,366)	(24,379)	(1,245,745)
Transactions with equity holders						
Issue of shares upon exercise of share options	80	2,157	-	2,237	-	2,237
Lapse of share options	-	(544)	544	-	-	-
Repayment of capital to non-controlling interests	-	-	-	-	(38,400)	(38,400)
At 30 June 2020	312,597	8,474,593	31,435,619	40,222,809	1,176,700	41,399,509
At 1 January 2019	312,485	8,991,277	26,336,731	35,640,493	1,361,232	37,001,725
Comprehensive income						
Profit for the period	-	-	1,525,583	1,525,583	48,483	1,574,066
Other comprehensive income						
Other comprehensive income/(loss) for the period	-	367,860	-	367,860	(8,470)	359,390
Transactions with equity holders						
Issue of shares upon exercise of shares options	32	1,450	-	1,482	-	1,482
Fair value of share options	-	7,397	-	7,397	-	7,397
Lapse of share options	-	(17,151)	17,151	-	-	-
Repayment of capital to non-controlling interests	-	-	-	-	(31,716)	(31,716)
At 30 June 2019	312,517	9,350,833	27,879,465	37,542,815	1,369,529	38,912,344

Notes to the Interim Financial Information

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong and Mainland China.

This interim financial information is presented in Hong Kong dollars, unless otherwise stated. This interim financial information was approved for issue by the Board of Directors on 20 August 2020.

This interim financial information has not been audited.

2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2020 has been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets (financial assets at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss), which are carried at fair values and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The existing and potential impacts arising from the global COVID-19 pandemic have been considered in the preparation of the condensed consolidated interim financial statements. The Group has based its assumptions and estimates on circumstances and conditions available when the condensed consolidated interim financial statements were prepared. Given the uncertainty of macro conditions, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2019, except as stated below.

The adoption of amendments to standards and framework

In 2020, the Group adopted the following amendments to standards and framework, which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above amendments to standards and framework did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

2 BASIS OF PREPARATION (cont'd)

New standard and amendments to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date

The Group will adopt the above new standard and amendments to standards as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of these new standard and amendments to standards will have no material impact on the results and the financial position of the Group. The Group will continue to assess the impact in more details.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the interim financial information, the critical accounting estimates and judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those used in the annual financial statements for the year ended 31 December 2019 and the impacts on COVID-19 have also been considered in making the estimates and judgments.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no material changes in the Group's financial risk management structure, policies and procedures since year ended 31 December 2019.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Estimates of fair value of financial instruments

During the period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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

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

At 30 June 2020 and 31 December 2019, the Group had no Level 3 financial instruments, the only Level 1 financial instrument that is measured at fair value represented the financial assets at fair value through other comprehensive income and Level 2 financial instruments that are measured at fair value represented the financial assets at fair value through profit or loss and derivative financial instruments.

During the period, there were no transfers of financial assets or financial liabilities between the levels in the hierarchy.

During the period, there were no reclassifications of financial assets.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

(d) Estimates of fair value of investment properties

The valuation processes and techniques of the Group are consistent with those used in the annual financial statements for the year ended 31 December 2019, which were based on the economic, market and other conditions as they exist on, and information available to management as of 30 June 2020. The outbreak of COVID-19 has increased the volatility to property markets in Hong Kong and Mainland China, resulting in increased uncertainty of the assumptions used in the valuations being achieved and materialised. Consequently, the ongoing development of COVID-19 may cause unexpected volatility in the future fair value of certain investment properties subsequent to 30 June 2020.

For the fair value of investment properties derived using the income capitalisation method, as at 30 June 2020, if the prevailing market rents and the capitalisation rates used had been 10% higher/lower respectively, with all other variables held constant, the carrying amount of investment properties would have been changed as follows:

	HK\$'000
Carrying amount of investment properties increased/(decreased) if:	
– rental values used were 10% higher	1,323,344
– rental values used were 10% lower	(1,309,000)
Carrying amount of investment properties increased/(decreased) if:	
– capitalisation rates used were 10% higher	(957,844)
– capitalisation rates used were 10% lower	1,116,632

5 SEGMENT INFORMATION

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

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net losses/gains and change in fair value of investment properties. The Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function and last period's comparative amounts were restated.

Segment assets represent total assets excluding joint ventures and associated companies and other assets. Other assets include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

5 SEGMENT INFORMATION (cont'd)

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2020					
Revenue from contracts with customers:					
– Recognised at a point in time	7,045,434	1,066,302	–	–	8,111,736
– Recognised over time	–	–	–	24,770	24,770
Revenue from other sources:					
– Rental income	–	–	270,215	–	270,215
Revenue	7,045,434	1,066,302	270,215	24,770	8,406,721
Adjusted EBITDA	3,229,756	545,588	214,165	(146,959)	3,842,550
Other income and expenses/losses, net					(214,609)
Depreciation and amortisation					(15,277)
Change in fair value of investment properties			(212,789)		(212,789)
Finance costs					(14,930)
Share of profits/(losses) of joint ventures	27,014	(4,226)			22,788
Share of losses of associated companies	(1,077)	(2,035)			(3,112)
Profit before taxation					3,404,621
Taxation charge					(841,140)
Profit for the period					2,563,481
As at 30 June 2020					
Segment assets	12,550,076	19,866,837	15,075,409	–	47,492,322
Other assets	–	–	–	9,549,154	9,549,154
Joint ventures	9,849,577	1,121,576	–	–	10,971,153
Associated companies	2,175,726	–	–	–	2,175,726
Total assets	24,575,379	20,988,413	15,075,409	9,549,154	70,188,355
Total liabilities	12,998,462	12,633,637	3,051,286	105,461	28,788,846
Six months ended 30 June 2019					
Revenue from contracts with customers:					
– Recognised at a point in time	2,710,683	2,064,832	–	–	4,775,515
– Recognised over time	–	–	–	55,527	55,527
Revenue from other sources:					
– Rental income	–	–	292,688	–	292,688
Revenue	2,710,683	2,064,832	292,688	55,527	5,123,730
Adjusted EBITDA	1,322,860	534,388	241,088	(125,509)	1,972,827
Other income and expenses/gains, net					(40,237)
Depreciation and amortisation					(15,506)
Change in fair value of investment properties			70,377		70,377
Finance costs					(7,027)
Share of profits/(losses) of joint ventures	81,398	(11,694)			69,704
Share of profits/(losses) of associated companies	41,800	(4,440)			37,360
Profit before taxation					2,087,498
Taxation charge					(513,432)
Profit for the period					1,574,066
As at 31 December 2019					
Segment assets	16,143,109	19,441,706	15,646,003	–	51,230,818
Other assets	–	–	–	10,347,468	10,347,468
Joint ventures	9,618,310	1,154,730	–	–	10,773,040
Associated companies	2,201,251	6,463	–	–	2,207,714
Total assets	27,962,670	20,602,899	15,646,003	10,347,468	74,559,040
Total liabilities	18,001,093	13,219,257	3,168,488	52,266	34,441,104
Six months ended 30 June 2020					
Additions to non-current assets	1,563	1,299	3,286	266	6,414
Six months ended 30 June 2019					
Additions to non-current assets	–	12,968	108	252	13,328

5 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in two (2019: two) main geographical areas: Hong Kong and Mainland China. The revenue for the six months ended 30 June 2020 and 2019 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets, derivative financial instruments and other non-current assets) as at 30 June 2020 and 31 December 2019 by geographical area are as follows:

Revenue

	2020 HK\$'000	2019 HK\$'000
Hong Kong	7,077,600	2,747,483
Mainland China	1,329,121	2,376,247
	8,406,721	5,123,730

Non-current assets

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Hong Kong	2,780,055	2,916,034
Mainland China	12,295,837	12,624,526
Other	205	195
	15,076,097	15,540,755

6 REVENUE

	2020 HK\$'000	2019 HK\$'000
Sales of properties	8,111,736	4,775,515
Rental income	270,215	292,688
Hotel operations	24,770	55,527
	8,406,721	5,123,730

7 FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	219,117	266,584
Lease liabilities	245	329
	219,362	266,913
Capitalised as cost of properties under development	(204,432)	(259,886)
	14,930	7,027

8 PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
Profit before taxation is stated after crediting:		
Interest income	61,912	52,679
Dividend income from financial assets at fair value through other comprehensive income	73,118	73,118
Net fair value gains on financial assets at fair value through profit or loss	11,911	13,151
Net exchange gains	–	1,532
and after charging:		
Cost of properties sold	4,261,286	2,830,522
Selling and marketing expenses	304,113	193,143
Depreciation for property, plant and equipment (net of amount capitalised under properties under development of HK\$241,000 (2019: HK\$201,000))	13,449	13,509
Depreciation for right-of-use assets	1,828	1,997
Lease expenses	2,132	2,296
Net fair value losses on derivative financial instruments	75,574	–
Net exchange losses	14,220	–

9 TAXATION CHARGE

	2020 HK\$'000	2019 HK\$'000
Current		
Hong Kong profits tax	449,614	204,770
Mainland China		
– Income tax	132,189	139,992
– Land appreciation tax	207,069	133,290
Over-provision in previous years	(103)	(50)
Deferred	52,371	35,430
	841,140	513,432

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period 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 the countries in which the Group operates. There is no income tax provided on other comprehensive income.

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

10 EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Profit attributable to equity holders of the Company	2,555,901	1,525,583
	Number of shares	
	2020	2019
Weighted average number of shares for calculating basic earnings per share	3,125,575,000	3,124,908,000
Effect of dilutive potential ordinary shares – Share options	2,421,000	3,926,000
Weighted average number of shares for calculating diluted earnings per share	3,127,996,000	3,128,834,000

11 DIVIDEND

The Board of Directors has declared an interim cash dividend of HK\$218,818,000 (being 7 HK cents per share) (2019: 6 HK cents per share, totaling HK\$187,511,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2020.

12 CAPITAL EXPENDITURE

For the six months ended 30 June 2020, the Group incurred HK\$3.1 million (2019: HK\$1.6 million) on property, plant and equipment.

13 DEBTORS AND PREPAYMENTS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade debtors	10,444	4,046
Other debtors	192,900	208,739
Amounts due from non-controlling interests	30,381	–
Tender deposits	50,000	50,000
Prepayments and other deposits	69,727	47,281
Sales commissions	22,421	157,553
Sales taxes	198,355	157,826
	574,228	625,445

Trade debtors mainly comprise rental receivable. Rental from tenants is due and payable in advance.

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one month	5,581	3,105
Two to three months	3,159	439
Four to six months	1,352	168
Over six months	352	334
	10,444	4,046

14 CASH AND BANK DEPOSITS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Cash at bank and in hand	2,090,916	1,671,583
Short-term and other bank deposits	2,925,398	3,709,026
Cash and cash equivalents	5,016,314	5,380,609
Short-term bank deposits maturing after three months	–	62,470
Cash and bank deposits	5,016,314	5,443,079

15 SHARE CAPITAL

	2020		2019	
	Shares of HK\$0.10 each Number of shares	HK\$'000	Shares of HK\$0.10 each Number of shares	HK\$'000
Authorised:				
At 1 January and 30 June	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	3,125,174,615	312,517	3,124,854,615	312,485
Share options exercised	800,000	80	320,000	32
At 30 June	3,125,974,615	312,597	3,125,174,615	312,517

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to employees, senior executives or Directors or consultants of the Company or its affiliates, and other qualifying grantees. During the period, share options to subscribe for 800,000 shares (2019: 320,000 shares) were exercised.

15 SHARE CAPITAL (cont'd)

The outstanding share options have the following exercise periods and exercise prices per share:

Exercise period	Exercise price HK\$	Number of share options	
		30 June 2020	31 December 2019
30 September 2015 to 29 September 2020	4.500	13,260,000	13,340,000
21 January 2017 to 20 January 2022	2.796	10,290,000	11,090,000
17 July 2018 to 16 July 2023	4.760	17,130,000	17,330,000
18 July 2019 to 17 July 2024	4.520	18,928,000	19,286,000
		59,608,000	61,046,000

16 BORROWINGS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Long-term bank loans		
Secured	3,869,509	3,406,223
Unsecured	14,401,302	14,033,530
	18,270,811	17,439,753
Unsecured short-term bank loans	200,000	2,000,000
	18,470,811	19,439,753
Current portion included in current liabilities	(1,101,349)	(4,269,151)
	17,369,462	15,170,602

17 GUARANTEED NOTES

K. Wah International Financial Services Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes of HK\$1 billion at 100% of face value through private placement in 2014. The notes are guaranteed by the Company and carry a coupon rate of 4.25% to 4.73% per annum and have a maturity of 7 years. The carrying amount of HK\$449,632,000 will be matured within one year and is classified to current portion under current liabilities. The fair value of these guaranteed notes as at 30 June 2020 was HK\$1,021 million (31 December 2019: HK\$1,019 million).

18 CREDITORS, ACCRUALS AND OTHER LIABILITIES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade creditors	749,796	886,047
Other creditors	55,292	79,059
Amounts due to non-controlling interests	–	19,417
Accrued operating expenses	166,977	218,637
Rental and other deposits received	199,546	206,477
Lease liabilities – current portion	3,216	3,201
	1,174,827	1,412,838

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one month	743,707	880,468
Two to three months	659	2,414
Four to six months	182	224
Over six months	5,248	2,941
	749,796	886,047

19 COMMITMENTS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contracted but not provided for commitments in respect of		
Property investment	9,591	8,615
Property development		
– subsidiaries	4,184,944	3,802,355
– joint ventures and associated companies	740,344	616,251
	4,934,879	4,427,221

20 GUARANTEES

The Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	30 June 2020		31 December 2019	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Joint ventures	7,586,310	5,886,762	7,483,030	5,867,361
Properties buyers	643,899	643,899	1,185,517	1,185,517
	8,230,209	6,530,661	8,668,547	7,052,878

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

The Group monitors the net realisable values of the relevant properties which are subject to the fluctuation of the property market. As at 30 June 2020, no provision on the above guarantees was made (31 December 2019: nil).

As at 30 June 2020, the Company has executed guarantees in favour of banks, in respect of loan facilities granted to certain subsidiaries and joint ventures, amounting to HK\$34,989 million (31 December 2019: HK\$32,364 million) and HK\$7,448 million (31 December 2019: HK\$7,453 million) respectively. Of these, facilities totaling HK\$17,580 million (31 December 2019: HK\$18,685 million) and HK\$5,887 million (31 December 2019: HK\$5,867 million) respectively have been utilised.

21 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties which in the opinion of the Directors were carried out in the normal course of business during the period:

- Key management personnel comprise Executive Directors of the Company and their emoluments amounted to HK\$30,792,000 (2019: HK\$32,711,000).
- Rental income from an investee company amounted to HK\$708,000 (2019: HK\$739,000) based on the terms of rental agreement between the parties.
- Rental expenses to related companies amounted to HK\$7,501,000 (2019: HK\$7,733,000) based on the terms of master lease agreement executed between the parties.

Other Information

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As of 30 June 2020, the interests and short positions of each director of the Company ("Director") in the ordinary shares of the Company ("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")) (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities ("Listing Rules") on the HK Stock Exchange, were as follows:

(a) Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	30,605,941	8,317,120 ⁽¹⁾	314,747,213 ⁽²⁾	1,650,678,769 ⁽³⁾	2,004,349,043	64.12
Francis Lui Yiu Tung	11,138,035	–	–	1,650,678,769 ⁽³⁾	1,661,816,804	53.16
Paddy Tang Lui Wai Yu	27,557,605	–	–	1,650,678,769 ⁽³⁾	1,678,236,374	53.69
Alexander Lui Yiu Wah	19,751,428	–	4,005,183 ⁽⁴⁾	1,650,678,769 ⁽³⁾	1,674,435,380	53.57
Moses Cheng Mo Chi	849,175	–	–	–	849,175	0.03
William Yip Shue Lam	1,052,726	–	–	–	1,052,726	0.03
Au Man Chu	847,568	–	–	–	847,568	0.03
Wong Kwai Lam	1,040,000	–	–	–	1,040,000	0.03
Nip Yun Wing	–	–	–	–	–	–

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

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the discretionary 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

Share options, which are unlisted and physically settled, to subscribe for Shares were beneficially held by certain Directors.

Other Information

Particulars of the movement of the options held by each of the Directors, the employees and consultants of the Company and its affiliates and other qualifying grantees in aggregate under the Share Option Scheme of the Company during the period of six months ended 30 June 2020 were as follows:

Holders	Date of grant	Number of options			Held at 30 June 2020	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2020	Exercised during the period	Lapsed during the period			
Lui Che-woo	30 Sep 2014	2,700,000	–	–	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	–	–	2,800,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Francis Lui Yiu Tung	30 Sep 2014	1,300,000	–	–	1,300,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	1,300,000	–	–	1,300,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	1,300,000	–	–	1,300,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	1,300,000	–	–	1,300,000	4.520	18 Jul 2019–17 Jul 2024
Paddy Tang Lui Wai Yu	30 Sep 2014	2,700,000	–	–	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	800,000 ^(a)	–	2,000,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Alexander Lui Yiu Wah	30 Sep 2014	2,700,000	–	–	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	–	–	2,800,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
Moses Cheng Mo Chi	30 Sep 2014	160,000	–	–	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	–	–	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
William Yip Shue Lam	30 Sep 2014	160,000	–	–	160,000	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
Au Man Chu	30 Sep 2014	160,000	–	–	160,000	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
Wong Kwai Lam	30 Sep 2014	160,000	–	–	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	–	–	160,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
Nip Yun Wing	–	–	–	–	–	–	–
Employees ^(b) (in aggregate)	30 Sep 2014	2,860,000	–	80,000	2,780,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	1,070,000	–	–	1,070,000	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	5,910,000	–	200,000	5,710,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	7,796,000	–	358,000	7,438,000	4.520	18 Jul 2019–17 Jul 2024
Consultants (in aggregate)	30 Sep 2014	440,000	–	–	440,000	4.500	30 Sep 2015–29 Sep 2020
	17 Jul 2017	780,000	–	–	780,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	550,000	–	–	550,000	4.520	18 Jul 2019–17 Jul 2024

Notes:

- (a) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$3.220 per share.
- (b) Employees include associates of Directors and the movements in the options held by each of the associates of Directors during the period shown above were as follows:

Name	Date of grant	Held at 1 January 2020	Exercised during the period	Lapsed during the period	Held at 30 June 2020	Exercise price per Share (HK\$)	Exercise period
Tang Eugene	30 Sep 2014	50,000	–	–	50,000	4.500	30 Sep 2015–29 Sep 2020
Justin Yue Chung	17 Jul 2017	120,000	–	–	120,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	130,000	–	–	130,000	4.520	18 Jul 2019–17 Jul 2024

All the options granted were subject to a one-year vesting period.

No option was granted and cancelled during the period of six months ended 30 June 2020.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 30 June 2020, 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 30 June 2020, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Capacity	Number of Shares (Long Position)	Approximate % of Issued Share Capital
CWL Assets (PTC) Limited	Trustee	1,650,678,769	52.81
HSBC International Trustee Limited	Trustee	1,646,076,737 ⁽¹⁾	52.66
Super Focus Company Limited	Beneficial owner	1,120,247,673	35.84
Star II Limited	Interest of controlled corporation	264,752,460	8.47
Favor Right Investments Limited	Beneficial owner	211,594,444	6.77
Lui Che Woo Foundation Limited	Beneficial owner	186,420,639	5.96
Premium Capital Profits Limited	Beneficial owner	184,229,079	5.89

Other Information

Note:

- (1) HSBC International Trustee Limited is the trustee of the trust established by Dr. Lui Che-woo as the settlor, was interested in 1,646,076,737 Shares of the Company. Following the acquisition of Shares of the Company during the period, the shareholding of HSBC International Trustee Limited was increased to 1,650,678,769 Shares. Such Shares are the aggregation of (i) 211,594,444 Shares held by Favor Right Investments Limited, (ii) 54,084,192 Shares held by Best Chance Investments Ltd., (iii) 1,120,247,673 Shares held by Super Focus Company Limited, (iv) 184,229,079 Shares held by Premium Capital Profits Limited, and (v) 80,523,381 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 1,650,678,769 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,120,247,673 Shares were interested by Super Focus Company Limited, 54,084,192 Shares were interested by Best Chance Investments Ltd., 211,594,444 Shares were interested by Favor Right Investments Limited, 184,229,079 Shares were interested between Premium Capital Profits Limited and Star II Limited and 80,523,381 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 30 June 2020, 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.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 30 June 2020, 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	2,603,600	647,604
Current assets	79,837,638	21,096,094
Current liabilities	(9,893,069)	(2,736,764)
	72,548,169	19,006,934
Share capital	2,383,049	880,858
Reserves	5,185,747	1,466,173
Amounts due to shareholders	46,241,436	10,799,848
Non-current liabilities	18,737,937	5,860,055
	72,548,169	19,006,934

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period of six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee of the Company met on 13 August 2020 to review the Company's accounting principles and practices and to discuss audit strategy, risk management and internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company and by the Company's Independent Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor has been included in this interim report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's Code of Conduct for Securities Transactions by Directors. Having made specific enquiries with all its Directors, the Company confirms that during the period of six months ended 30 June 2020 all its Directors have complied with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE

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

During the period of six months ended 30 June 2020, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2019 Annual Report still holds. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Subsequent to the publication of the 2019 Annual Report, the Company was informed of the following changes in Directors' information:

Mr. Alexander Lui Yiu Wah *(Executive Director)*

Mr. Alexander Lui Yiu Wah has been re-appointed as the managing vice-chairman of the 2nd board of directors of Hong Kong Guangdong Youth Association in October 2019. He is also currently serving as the honorary vice president of Hong Kong Guangdong Community Organisations.

Other Information

Mr. Wong Kwai Lam *(Independent Non-executive Director)*

Mr. Wong Kwai Lam has been appointed as the chairman and director of Hong Kong Grand Opera Company Limited since August 2019 and an independent non-executive director and a member of the audit committee, the nomination committee and the remuneration committee of CK Hutchison Holdings Limited (a publicly-listed company on the Main Board of the HK Stock Exchange) since May 2020.

Mr. Nip Yun Wing *(Independent Non-executive Director)*

Mr. Nip Yun Wing has resigned as an independent non-executive director, the chairman and a member of the audit committee and a member of the nomination committee of Shenzhen International Holdings Limited (Stock Code: 00152) with effect from 12 June 2020.

CHANGES IN THE BOARD

Mr. Au Man Chu will retire as an Independent Non-executive Director of the Company with effect from 25 August 2020 and will cease as a member of the Audit Committee of the Company on the same day.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 September 2020 to 17 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 September 2020.

By Order of the Board

K. Wah International Holdings Limited

Lee Wai Kwan, Cecilia

Company Secretary

Hong Kong, 20 August 2020

The information, drawings (including design concept drawings) and/or photos of the developments in Hong Kong (inclusive of the developments under construction) as provided in this Interim Report are for the purpose of the Interim Report of K. Wah International Holdings Limited ("KWIH") (please refer to the sales brochures for details of the respective developments) and are not and do not form part of any advertisement purporting to promote the sale of any residential property, and do not constitute and shall not be construed as constituting any offer, representation, warranty, covenant or contractual term whether expressed or implied (whether related to view or surrounding environment or not). No publishing or transfer to any third party is allowed without the prior written consent of KWIH and the respective vendors as stated in the sales brochures of the respective developments (each a "Vendor"). KWIH and the respective Vendors shall not be liable for any reliance of these information, drawings and/or photos by any party for his/her decision on purchase of any residential property in the respective developments or otherwise. All photos, images, drawings or sketches in this Interim Report represent artists' impressions of the respective developments or the part of the respective developments concerned only. They are not drawn to scale and/or may have been edited and processed with computerized imaging techniques. In respect of any design concept drawings of the respective residential developments contained in this Interim Report, they are products of computer renderings. Pipes, conduits, air-conditioners, grilles etc. which might exist on the external walls, flat roofs or roofs, etc. of the respective developments, and the surrounding environment and buildings of the respective developments have been omitted. The respective renderings do not simulate or reflect the actual appearance and the surrounding environment of the respective developments. The respective design concept drawings do not simulate or reflect the view from any part of the respective developments and the present or future condition of the surrounding environment and buildings of the respective developments. The layout, partition, specifications, dimensions, colour, materials, fittings, finishes, appliances, equipment, furniture, household accessories, display, decorations, signs, clubhouse facilities, sculptures, models, artwork, plant, trees, landscape design, lighting features and lightings, etc. shown in the respective design concept drawings might be different from those, if any, to be actually provided in the respective developments and that they might not appear in the part of the developments concerned. The respective vendors reserve the right to alter, increase and reduce the above items and clubhouse and recreational facilities, which are subject to the agreements for sale and purchase. The respective Vendors reserve the right to alter the building plans and other plans from time to time, which are subject to the final approvals of the relevant Government authorities.

本中期報告中關於香港的發展項目(包括在建中的發展項目)的資訊、繪圖(包括設計概念圖)及/或相片乃嘉華國際集團有限公司(「嘉華國際」)為其中期報告而提供的(各該等發展項目的詳情請參閱各該等發展項目的售樓說明書),其本意並非促銷任何住宅物業的廣告或組成廣告的部分,也不構成亦不得詮釋作構成任何不論明示或隱含之要約、陳述、保證、承諾或合約條款(不論是否與景觀或周邊地區環境有關)。未得嘉華國際及該等發展項目的售樓書中所列明的賣方(「賣方」)的書面同意不可向第三方發布或轉發。嘉華國際及各相關賣方對任何人士依賴本資訊、繪圖及/或相片而作出購買各該等發展項目中的任何住宅物業或其他的決定不承擔任何責任。本中期報告中所有相片、圖像、繪圖及素描純屬畫家對各該等發展項目或各該等發展項目相關部分之想像。有關相片、圖像、繪圖或素描並非按照比例繪畫及/或可能經過電腦修飾處理。本中期報告所載的各該等住宅物業發展項目設計概念圖乃電腦模擬效果。各該等發展項目外牆、平台、天台等上可能存在之喉管、管線、冷氣機、格柵等及各該等發展項目周邊地區環境及建築物並無顯示。各電腦模擬效果並非模擬亦不反映各該等發展項目內任何部分之實際外觀或各該等發展項目周邊地區環境。各設計概念圖非模擬亦不反映各該等發展項目內任何部分的景觀及現在及將來的周邊地區環境及建築物等的狀況。各設計概念圖所示之布局、間隔、規格、尺寸、顏色、用料、裝置、裝修物料、設備、器材、家具、家居用品、擺設、裝飾、招牌、會所設施、塑像、模型、美術作品、植物、樹木、園林設計、燈飾及照明裝置等可能會與各該等發展項目所實際提供者(如有)不同,亦不一定在各該等發展項目的相關部分出現,各相關賣方保留權利改動及增減任何上述項件及會所及康樂設施,一切以買賣合約為準。各相關賣方保留權利改動建築圖則及其他圖則。建築圖則及其他圖則以有關政府部門最後批准者為準。各會所及康樂設施之提供以買賣合約條款及條件及有關政府部門最後批准者為準。不同會所及康樂設施之開放時間及使用受相關法律、批地文件及公契條款及現場環境狀況限制。部分設施及/或服務的使用或操作可能受制於政府有關部門發出之同意書或許可證。各相關賣方保留修改設計概念圖所顯示的及一切未顯示或列舉的設施及/或服務的用途之權利。

 嘉華國際集團有限公司
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