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: 173)

STEADFAST IN PURSUIT OF VALUE CREATION

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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:

	Six months ended 30 June		
	2013	2012	Change
	HK$ million	*HK$ million*	
Revenue	**3,305**	2,838	16%
Profit attributable to equity holders	**888**	2,899	(69%)
Total comprehensive income attributable to equity holders	**2,333**	3,648	(36%)
	30 June 2013	31 December 2012	
Shareholders' funds	**21,717**	19,357	12%

- Earnings per share was 33.6 HK cents and interim dividend per share 5 HK cents was declared.
- The Group successfully raised HK$3,300 million through a syndicated loan after the overwhelming response from the banking market on 23 August 2013.
- The five newly acquired projects in 2012, as well as the projects on hand, are progressing according to schedule, and the Group's strategy is to increase its asset turnover.
- The Group has been actively looking for opportunities to increase its landbank.
- As of 30 June 2013, cash and bank deposits amounted to HK$4,452 million, and net debt as a percentage of total equity was at a healthy level of 19%.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)
For the six months ended 30 June 2013

	Note	**2013** **HK$'000**	2012 *HK$'000*
Revenue	3	**3,305,010**	2,837,529
Cost of sales		**(1,324,154)**	(1,014,827)
Gross profit		**1,980,856**	1,822,702
Other operating income		**50,639**	68,119
Other net (losses)/gains		**(13,598)**	551,903
Other operating expenses		**(108,806)**	(98,140)
Administrative expenses		**(230,162)**	(199,856)
Change in fair value of investment properties		**75,564**	115,994
Finance costs		**(18,612)**	(21,951)
Share of profits of joint ventures		**37,184**	1,619,552
Share of profits/(losses) of associated companies		**36,731**	(20,005)
Profit before taxation	4	**1,809,796**	3,838,318
Taxation charge	5	**(889,369)**	(898,496)
Profit for the period		**920,427**	2,939,822
Attributable to:			
Equity holders of the Company		**887,572**	2,899,298
Non-controlling interests		**32,855**	40,524
		920,427	2,939,822

		HK cents	*HK cents*
Earnings per share	6		
Basic		**33.6**	112.5
Diluted		**33.5**	112.2

		HK$'000	*HK$'000*
Dividend	7		
Interim dividend		**134,000**	130,605

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**920,427**	2,939,822
Other comprehensive income:		
Items that may be reclassified to profit and loss:		
Change in fair value of non-current investments	**1,218,630**	799,422
Exchange differences	**249,433**	(66,951)
Other comprehensive income for the period	**1,468,063**	732,471
Total comprehensive income for the period	**2,388,490**	3,672,293
Total comprehensive income attributable to:		
Equity holders of the Company	**2,333,274**	3,647,966
Non-controlling interests	**55,216**	24,327
	2,388,490	3,672,293

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2013

	Note	(unaudited) 30 June 2013 HK$'000	31 December 2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**609,275**	616,814
Investment properties		**4,820,552**	4,890,916
Leasehold land and land use rights		**17,394**	16,608
Joint ventures		**2,249,103**	2,210,906
Associated companies		**2,128,667**	2,065,477
Non-current investments		**6,141,897**	4,923,267
Deferred taxation assets		**52,746**	55,301
Other non-current assets		**24,287**	1,568
		16,043,921	14,780,857
Current assets			
Development properties		**16,542,817**	13,894,002
Inventories		**1,635**	4,691
Amount due from a joint venture		**271,705**	853,182
Amount due from an associated company		**293,934**	560,107
Debtors and prepayments	8	**916,493**	867,985
Taxes recoverable		**63,950**	66,021
Structured bank deposits		**1,634,446**	1,531,632
Cash and bank deposits		**2,817,894**	5,707,248
		22,542,874	23,484,868
Assets held for sale	9	**264,898**	-
		22,807,772	23,484,868
Total assets		**38,851,693**	38,265,725
EQUITY			
Share capital		**263,998**	263,379
Reserves		**21,453,122**	19,093,656
Shareholders' funds		**21,717,120**	19,357,035
Non-controlling interests		**1,107,676**	1,052,460
Total equity		**22,824,796**	20,409,495
LIABILITIES			
Non-current liabilities			
Borrowings		**5,177,863**	6,712,105
Guaranteed notes		**1,703,085**	1,700,658
Derivative financial instruments		**4,546**	7,412
Deferred taxation liabilities		**1,186,798**	1,135,848
		8,072,292	9,556,023
Current liabilities			
Amounts due to joint ventures		**1,559,370**	1,559,370
Amount due to an associated company		**383,934**	104,935
Creditors and accruals	10	**1,344,810**	1,001,914
Pre-sales deposits		**1,883,648**	1,986,077
Current portion of borrowings		**2,007,719**	3,061,174
Taxes payable		**775,124**	586,737
		7,954,605	8,300,207
Total liabilities		**16,026,897**	17,856,230
Total equity and liabilities		**38,851,693**	38,265,725
Net current assets		**14,853,167**	15,184,661
Total assets less current liabilities		**30,897,088**	29,965,518

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2013 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investments and derivative financial instruments, which are carried at fair value 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 2012 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2012, except as stated below.

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

In 2013, the Group adopted the following new standards and amendments, which are relevant to its operations.

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

<u>HKICPA's annual improvements to certain HKFRSs published in June 2012</u>

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

Except as described below, the adoption of these new standards and amendments does not have an impact on the Group's accounting policies.

HKFRS 10 Consolidated Financial Statements and HKAS 27 (2011) Separate Financial Statements

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

1. Basis of preparation (Cont'd)

HKFRS 11 Joint Arrangements and HKAS 28 (2011) Investments in Associates and Joint Ventures

Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The application of this new standard had no impact on the Group's results of operations or financial position while "jointly controlled entities" has been superseded by "joint ventures" following the adoption of HKFRS 11.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 had no impact on the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the interim financial information.

HKAS 1 (Amendment) Presentation of Financial Statements

This amendment introduces a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

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

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities	1 January 2014
HK (IFRIC) – Int 21	Levies	1 January 2014

The Group has not early adopted the above new standards, amendments and interpretation, which are relevant to its operations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the interim financial information will result.

2. Segment information

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

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

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

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong	Mainland China	Others			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2013						
Revenue	**7,403**	**3,097,914**	**17,427**	**140,350**	**41,916**	**3,305,010**
Adjusted EBITDA	**2,800**	**1,759,057**	**10,332**	**124,879**	**(123,093)**	**1,773,975**
Other income and expenses/gains, net						**(71,765)**
Depreciation and amortisation						**(23,281)**
Change in fair value of investment properties				**75,564**		**75,564**
Finance costs						**(18,612)**
Share of profits/(losses) of joint ventures	**39,408**	**(2,224)**				**37,184**
Share of profits of associated companies	**36,731**					**36,731**
Profit before taxation						**1,809,796**
Taxation charge						**(889,369)**
Profit for the period						**920,427**
As at 30 June 2013						
Segment assets	**4,414,217**	**17,371,066**	**144,262**	**5,233,670**	**-**	**27,163,215**
Other assets	**-**	**-**	**-**	**-**	**6,745,069**	**6,745,069**
Joint ventures	**2,519,491**	**1,317**	**-**	**-**	**-**	**2,520,808**
Associated companies	**2,422,601**	**-**	**-**	**-**	**-**	**2,422,601**
Total assets	**9,356,309**	**17,372,383**	**144,262**	**5,233,670**	**6,745,069**	**38,851,693**
Total liabilities	**5,669,975**	**8,429,245**	**8,198**	**1,608,690**	**310,789**	**16,026,897**
Six months ended 30 June 2012						
Revenue	351,512	2,312,847	-	136,880	36,290	2,837,529
Adjusted EBITDA	208,249	1,431,430	(1,129)	117,513	(113,637)	1,642,426
Other income and expenses/gains, net						28,842
Gain on disposal of a joint venture		493,040				493,040
Depreciation and amortisation						(19,580)
Change in fair value of investment properties				115,994		115,994
Finance costs						(21,951)
Share of profits/(losses) of joint ventures	1,619,909	(357)				1,619,552
Share of losses of associated companies	(20,005)					(20,005)
Profit before taxation						3,838,318
Taxation charge						(898,496)
Profit for the period						2,939,822
As at 31 December 2012						
Segment assets	5,255,893	16,608,805	142,700	5,027,852	-	27,035,250
Other assets	-	-	-	-	5,540,803	5,540,803
Joint ventures	3,060,590	3,498	-	-	-	3,064,088
Associated companies	2,625,584	-	-	-	-	2,625,584
Total assets	10,942,067	16,612,303	142,700	5,027,852	5,540,803	38,265,725
Total liabilities	5,191,877	10,738,220	191,026	1,424,596	310,511	17,856,230

2. Segment information (Cont'd)

Geographical segment information

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

The revenue for the six months ended 30 June 2013 and 2012 and total non-current assets (other than non-current investments, deferred taxation assets and other non-current assets) as at 30 June 2013 and 31 December 2012 by geographical area are as follows:

Revenue

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**14,710**	358,816
Mainland China	**3,263,258**	2,469,755
Singapore	**27,042**	8,958
	3,305,010	2,837,529

Non-current assets

(Other than non-current investments, deferred taxation assets and other non-current assets)

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Hong Kong	**4,901,837**	4,779,368
Mainland China	**4,923,137**	4,807,245
Singapore	**17**	214,108
	9,824,991	9,800,721

3. Revenue

	2013	2012
	HK$'000	*HK$'000*
Sale of properties	**3,122,744**	2,664,359
Rental income	**140,350**	136,880
Hotel operations	**41,916**	36,290
	3,305,010	2,837,529

4. Profit before taxation

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income	**47,308**	56,287
Fair value gain on derivative financial instruments	**2,866**	1,323
Gain on disposal of a joint venture	**-**	493,040
Gain on transfer of development properties to investment properties	**-**	60,713
and after charging:		
Cost of properties sold	**1,292,733**	981,450
Selling and marketing expenses	**94,911**	91,732
Depreciation (net of capitalization)	**23,216**	19,234
Amortisation for leasehold land and land use rights	**65**	346
Net exchange losses	**16,438**	3,136
Operating lease rental for land and buildings	**1,010**	785
Losses on disposal of property, plant and equipment	**25**	36

5. Taxation charge

	2013	2012
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**2,159**	24,974
Mainland China		
- Income tax	**347,801**	299,419
- Land appreciation tax	**501,039**	492,391
Overseas	**1,832**	303
Under-provision in previous years	**360**	1,445
Deferred	**36,178**	79,964
	889,369	898,496

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 Mainland China and overseas in which the Group operates.

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

There is no income tax provided on other comprehensive income.

6. Earnings per share

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

	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**887,572**	2,899,298

	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	**2,638,538,000**	2,576,907,000
Effect of dilutive potential ordinary shares – share options	**14,700,000**	7,852,000
Weighted average number of shares for calculating diluted earnings per share	**2,653,238,000**	2,584,759,000

7. Dividend

The Board has declared an interim scrip dividend (with a cash option) of HK$134,000,000 (being 5 HK cents per share) (2012: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK$130,605,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2013.

8. Debtors and prepayments

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Trade debtors, net of provision	**501,675**	31,239
Other debtors, net of provision	**190,021**	174,863
Amounts due from non-controlling interests	**14,901**	14,638
Land deposits	**9,706**	398,152
Prepayments and other deposits	**200,190**	249,093
	916,493	867,985

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

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Within one month	**501,443**	27,906
Two to three months	**229**	59
Over six months	**3**	3,274
	501,675	31,239

9. Assets held for sale

	30 June 2013
	HK$'000
Property, plant and equipment	**1,799**
Investment properties	**215,944**
Development properties	**47,155**
	264,898

During the period, the Group entered into an agreement to dispose the Group’s interests in a property located in Singapore held by a wholly-owned subsidiary for a consideration of approximately HK$440 million. The transaction is expected to be completed in September 2013 and thus the gain on disposal will be recognised in the second half of 2013.

10. Creditors and accruals

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Trade creditors	**360,721**	709,945
Other creditors	**35,604**	25,324
Amounts due to non-controlling interests	**740,213**	123,635
Accrued operating expenses	**125,363**	52,323
Rental and other deposits received	**82,909**	90,687
	1,344,810	1,001,914

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Within one month	**356,763**	708,273
Two to three months	**3,035**	-
Four to six months	**570**	-
Over six months	**353**	1,672
	360,721	709,945

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the six months ended 30 June 2013 was HK$3,305 million, which was mainly derived from the property sales of The Palace and The Legend in Shanghai, and Le Palais in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre.

Attributable Contracted Sales of the Group (being contracted sales of the Group and contributions from joint ventures and associated companies) in the first half of 2013 amounted to approximately HK$3,100 million, mainly attributable to The Palace, The Legend and Upstream Park in Shanghai, Le Palais and J Metropolis in Guangzhou, as well as our joint venture projects in Hong Kong. Of the contracted sales during the period, approximately HK$1,800 million has been recognised in the accounts of the Group in the first half of 2013.

Profit attributable to equity holders of the Company for the six months ended 30 June 2013 was HK$888 million. Underlying profit of the Group in the first half of 2013 was HK$834 million.

Total comprehensive income attributable to equity holders of the Company was HK$2,333 million for the six months ended 30 June 2013. The total comprehensive income recorded a substantial increase in fair value of HK$1,219 million on the non-current investments of an approximately 3.9% interest in Galaxy Entertainment Group Limited.

Property Development and Investment in Hong Kong SAR

The property market in Hong Kong in the first half came under the continuing influence of the various government cooling measures announced in October last year and February this year. The introduction of the Residential Properties (First-hand Sales) Ordinance at the end of April also affected the market supply. Property market transaction volume experienced a major decrease in the last two months of the review period.

The sales of our existing projects in Hong Kong saw an inevitable slowdown during the period. Sales recorded in this period came mainly from the remaining units of our projects in Tai Po.

Leasing performance remained stable during the period on the back of healthy demand for commercial shops in the Wan Chai area.

Property Development and Investment in Mainland China

Although the economy in the Mainland experienced slower growth in the first half than in previous years, the overall economy remained largely healthy and progressive. The property sector continued to grow and transactions were particularly noticeable in the segment catering to the fundamental demand of home buyers.

During the period, the Group continued to sell the residential units of two projects in Shanghai, namely, The Palace and Upstream Park. They were well received by the market and have consistently generated satisfactory sales since their launch. In Guangzhou, J Metropolis started its pre-sale launch in early 2013. Market response was encouraging, and almost all the pre-sale units have been sold.

The last block of the Westwood project and Phase I of The Palace were completed in early 2013 and successfully handed over to the owners, and thus the sales were recognised in this period. Progress on the other projects was in accordance with schedule.

The Group's major investment property, Shanghai K. Wah Centre, maintained a high occupancy rate throughout the period.

Investment in Galaxy Entertainment Group Limited ("GEG")

The Group continues to hold its non-current investment in GEG carried at fair value. As of 30 June 2013, the share price of GEG was HK$37.8 per share representing an increase of 25% over its last carried fair value of HK$30.3 per share as of 31 December 2012. The resulting increase in fair value of approximately HK$1,219 million was recorded as an increase in reserve.

Outlook

In the first half of the year, as the US economy continued to grow the Federal Reserve contemplated slowing down its support measures which lifted the yield curve. During this same period, the European economy stabilised and China was expected to meet its GDP growth target.

The Hong Kong property market was sluggish as a result of the cooling measures announced in October last year and this February. In the Mainland, strict tightening measures continued to apply in the property market. Due to strong fundamental demand, both home prices and transaction volumes increased, and sentiment in the land market improved.

In Hong Kong, the Group succeeded in selling a large proportion of its property stock in 2012. In the second half of this year, sales of the remaining units of Chantilly and our joint venture project Marinella will continue. In addition, the marketing efforts for our joint venture projects, Providence Bay and Providence Peak, will continue and the Grampian Road project will be launched next year.

In the Mainland, the Group successfully launched projects offering both high value-for-money and premium products to suit local end user demand. Our high end project in a prime location in Shanghai, The Palace, achieved satisfactory sales with a smooth handover to home owners. Good value-for-money projects in the mid-market segment, such as Westwood, Upstream Park and J Metropolis, were also well received. For the second half of the year, we will continue to market the remaining units in the first phase of The Palace, Upstream Park, J Metropolis and Le Palais. We also plan to launch Grand Summit in Shanghai and our project in Jiangmen towards the end of the year.

The recognition of profits will depend on the progress of the projects and, in this connection, the contracted sales in respect of Upstream Park as well as J Metropolis and, if launched, Jiangmen project may be recognised towards the end of the year. The contracted sales of Grand Summit will likely be recognised in 2014.

The construction of the Group's existing projects and the planning for the five new projects acquired last year were well underway and according to plan. We have been focusing on enhancing product design and quality, improving branding, increasing asset turnover, minimising equity input and developing talent. We will continue to be prudent and disciplined in our land acquisitions.

The Group remains positive about the long term prospects of the property development and investment markets in the Mainland and Hong Kong. The Group is well positioned and confident to embrace both the market changes and new project opportunities in Hong Kong, Pearl River Delta and Yangtze River Delta areas.

The Group was voted first runner-up in the "Hong Kong Best Mid-Cap" category in Asia's Best Companies 2013 Poll conducted by *FinanceAsia*. Our reputation in the martket, together with our strong cash resources resulting from last year's record profit and relatively low gearing level, makes us well positioned to achieve our mission of providing customers with excellent quality products and services and bringing shareholders the best return on their investment.

FINANCIAL REVIEW

(1) Financial Position

The financial position of the Group remained strong. As of 30 June 2013, total funds employed were increased to approximately HK$32 billion (31 December 2012: HK$31 billion). The number of the issued shares of the Company increased to 2,639,978,837 as of 30 June 2013 (31 December 2012: 2,633,793,837) as a result of certain share options being exercised during the period.

(2) Liquidity 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 2013, cash and bank deposits stood at HK$4,452 million, and total borrowings amounted to HK$8,889 million. Of the long-term borrowings, around 77% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totaling HK$5,660 million and HK$1,863 million for working capital and project facility purposes respectively.

The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits and structured bank deposits to total equity, stayed at a healthy level of 19% as of 30 June 2013 (31 December 2012: 21%).

The Group's liquidity and gearing ratio stayed at a healthy level, and the Group has sufficient funds to meet its working capital and project development requirements.

(3) Treasury Policies

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

The Group has engaged in the use of foreign exchange contracts and interest rate swap contracts in respect of the guaranteed notes in order to mitigate US dollar exposure and avoid the impact of any undue interest rate fluctuations.

The Group successfully raised HK$3,300 million through a syndicated loan after receiving an overwhelming response from the banking market on 23 August 2013, thereby further enhancing its cash holdings and funding capability for future**.**

(4) Charges on Group Assets

As of 30 June 2013, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, buildings and assets held for sale) with aggregate carrying values of HK$16,663 million (31 December 2012: HK$15,220 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 30 June 2013, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, joint ventures and associated companies amounting to HK$10,549 million (31 December 2012: HK$9,825 million), HK$117 million (31 December 2012: HK$117 million) and HK$641 million (31 December 2012: HK$641 million), of which facilities totaling HK$4,354 million (31 December 2012: HK$6,285 million), HK$117 million (31 December 2012: HK$117 million) and HK$394 million (31 December 2012: HK$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK$177 million (31 December 2012: HK$154 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to principles of good corporate governance consistent with enhancement of long term shareholders' value. The Board has adopted a corporate governance policy which gives guidance on how corporate governance principles are applied to the Company. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence.

During the period of six months ended 30 June 2013, the Company has complied with the code provisions ("***CG Codes***") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("***Listing Rules***") on The Stock Exchange of Hong Kong Limited ("***HK Stock Exchange***") at that time, except the deviations from (i) CG Code A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CG Code 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 2012 Annual Report still holds. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

AUDIT COMMITTEE

The Audit Committee of the Company met on 22 August 2013 and reviewed the Company's accounting principles and practices and discussed internal control and financial reporting matters. The Group's unaudited interim results for the six month ended 30 June 2013 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 will be included in the Interim Report 2013 to shareholders.

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 securities during the six months ended 30 June 2013.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with a cash option) for the six months ended 30 June 2013 of 5 HK cents per share, totaling HK$134,000,000, payable on 29 October 2013 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2013 (2012: an interim scrip dividend (with cash option) of 5 HK cents per share, totaling HK$130,605,000).

Payment of the scrip dividend is conditional upon the HK Stock Exchange granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and the dividend warrants will be posted to those entitled on 29 October 2013. The Company will send a circular to the shareholders containing, among others, details of the interim scrip dividend with cash option.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 17 September 2013 to 19 September 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars 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 16 September 2013.

PUBLICATION OF FURTHER INFORMATION ON WEBSITE

This announcement will be published on the websites of the Company (*www.kwih.com*) and the Hong Kong Exchanges and Clearing Limited ("*HKEx*") (*www.hkexnews.hk*). The 2013 Interim Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late September 2013.

DIRECTORS

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

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

Hong Kong, 29 August 2013