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(Stock Code: 173)

An Unwavering Commitment to Quality and Innovation

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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:

- Revenue of the Group was HK\$750 million; taking into account joint ventures and associated companies, total attributable revenue decreased 74% to HK\$957 million.
- Profit attributable to equity holders decreased 76% to HK\$214 million.
- Earnings per share was 7.9 HK cents, and an interim dividend per share of 5 HK cents was declared.
- As of 30 June 2014, net asset value per share was HK\$9.7.
- As of 30 June 2014, cash and bank deposits amounted to HK\$4,790 million, and net debt as a percentage of total equity was 36%.
- During the period, the Group further enhanced its funding capability by successfully securing a HK\$3.98 billion syndicated loan and issued HK\$450 million in 7-year Fixed Rate Notes at attractive interest rates under the MTN programme through private placements.
- The Group successfully acquired two new sites in Kai Tak and Dongguan and will continue to augment its landbank on a disciplined basis.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)

For the six months ended 30 June 2014

	Note	2014 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Revenue	3	749,692	3,305,010
Cost of sales		<u>(376,157)</u>	<u>(1,324,154)</u>
Gross profit		373,535	1,980,856
Other operating income		161,696	50,639
Other net losses		(16,961)	(13,598)
Other operating expenses		(54,935)	(108,806)
Administrative expenses		(217,371)	(230,162)
Change in fair value of investment properties		101,944	75,564
Finance costs		(12,912)	(18,612)
Share of profits of joint ventures		86,049	37,184
Share of (losses)/profits of associated companies		(7,641)	36,731
Profit before taxation	4	<u>413,404</u>	<u>1,809,796</u>
Taxation charge	5	<u>(169,214)</u>	<u>(889,369)</u>
Profit for the period		<u>244,190</u>	<u>920,427</u>
Attributable to:			
Equity holders of the Company		213,778	887,572
Non-controlling interests		30,412	32,855
		<u>244,190</u>	<u>920,427</u>
Earnings per share			
	6	<i>HK cents</i>	<i>HK cents</i>
Basic		7.9	33.6
Diluted		<u>7.8</u>	<u>33.5</u>
Dividend			
	7	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Interim dividend		<u>137,923</u>	<u>134,117</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2014

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	244,190	920,427
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	(1,243,003)	1,218,630
Exchange differences	(162,248)	249,433
Other comprehensive (loss)/income for the period	(1,405,251)	1,468,063
Total comprehensive (loss)/income for the period	(1,161,061)	2,388,490
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(1,179,990)	2,333,274
Non-controlling interests	18,929	55,216
	(1,161,061)	2,388,490

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2014

	Note	(unaudited) 30 June 2014 HK\$'000	(audited) 31 December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		568,376	593,184
Investment properties		5,623,576	5,135,518
Leasehold land and land use rights		17,777	17,558
Joint ventures		2,394,972	2,308,065
Associated companies		909,696	2,242,215
Non-current investment		10,049,638	11,292,641
Deferred taxation assets		58,210	52,079
Derivative financial instruments		4,178	12,313
Other non-current assets		41,758	24,468
		<u>19,668,181</u>	<u>21,678,041</u>
Current assets			
Development properties		19,064,456	15,595,216
Inventories		2,214	1,899
Amount due from a joint venture		228,260	228,260
Amounts due from associated companies		1,214,291	235,315
Debtors and prepayments	8	2,425,126	1,218,856
Taxes recoverable		104,621	68,067
Cash and bank deposits		4,790,218	5,623,962
		<u>27,829,186</u>	<u>22,971,575</u>
Total assets		<u>47,497,367</u>	<u>44,649,616</u>
EQUITY			
Share capital		271,709	271,215
Reserves		26,186,488	27,347,538
Shareholders' funds		<u>26,458,197</u>	<u>27,618,753</u>
Non-controlling interests		1,494,122	1,475,193
Total equity		<u>27,952,319</u>	<u>29,093,946</u>
LIABILITIES			
Non-current liabilities			
Borrowings		10,890,031	5,274,179
Guaranteed notes		2,152,004	1,704,088
Derivative financial instruments		2,285	1,896
Deferred taxation liabilities		1,264,003	1,223,227
		<u>14,308,323</u>	<u>8,203,390</u>
Current liabilities			
Amounts due to joint ventures		1,719,288	1,558,289
Amount due to an associated company		27,085	402,685
Creditors and accruals	9	969,196	1,676,211
Current portion of borrowings		1,807,660	2,619,982
Taxes payable		713,496	1,095,113
		<u>5,236,725</u>	<u>7,352,280</u>
Total liabilities		<u>19,545,048</u>	<u>15,555,670</u>
Total equity and liabilities		<u>47,497,367</u>	<u>44,649,616</u>
Net current assets		<u>22,592,461</u>	<u>15,619,295</u>
Total assets less current liabilities		<u>42,260,642</u>	<u>37,297,336</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2014 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investment and derivative financial instruments, 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 (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013 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 2013, except as stated below.

The adoption of revised HKFRSs

In 2014, the Group adopted the following amendments to standards and interpretation to existing standards, which is relevant to its operations.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK (IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these amendments to standards and interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the interim financial information.

1. Basis of preparation (cont'd)

Effective for
accounting periods
beginning on or after

New standards and amendments to existing standards that are not yet effective

HKAS 16 (Amendment) and HKAS 38 (Amendment)	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plan: Employee Benefits – Employee Contributions	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Joint Arrangement – Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements to HKFRSs 2010-2012 Cycle		1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle		1 July 2014

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

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 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 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, cash and bank deposits and other assets mainly include non-current investment, derivative financial instruments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to joint ventures and an associated company, borrowings, guaranteed notes, derivative financial instruments, taxes payable and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2014						
Revenue	680	550,844	-	149,042	49,126	749,692
Adjusted EBITDA	(1,071)	135,086	(1,394)	137,038	(90,650)	179,009
Other income and expenses/losses, net						89,800
Depreciation and amortisation						(22,845)
Change in fair value of investment properties				101,944		101,944
Finance costs						(12,912)
Share of profits/(losses) of joint ventures	88,162	(2,113)				86,049
Share of losses of associated companies	(7,641)					(7,641)
Profit before taxation						413,404
Taxation charge						(169,214)
Profit for the period						244,190
As at 30 June 2014						
Segment assets	8,614,149	17,152,638	364,404	5,890,534	-	32,021,725
Other assets	-	-	-	-	10,728,423	10,728,423
Joint ventures	2,627,051	(3,819)	-	-	-	2,623,232
Associated companies	2,123,987	-	-	-	-	2,123,987
Total assets	13,365,187	17,148,819	364,404	5,890,534	10,728,423	47,497,367
Total liabilities	8,359,076	9,657,019	10,596	1,480,094	38,263	19,545,048
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/losses, 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 31 December 2013						
Segment assets	4,349,817	17,642,659	370,793	5,371,939	-	27,735,208
Other assets	-	-	-	-	11,900,553	11,900,553
Joint ventures	2,536,325	-	-	-	-	2,536,325
Associated companies	2,477,530	-	-	-	-	2,477,530
Total assets	9,363,672	17,642,659	370,793	5,371,939	11,900,553	44,649,616
Total liabilities	6,145,410	7,577,515	21,046	1,471,533	340,166	15,555,670

2. Segment information (Cont'd)

Geographical segment information

The Group operates in three (2013: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the six months ended 30 June 2014 and 2013 and total non-current assets (other than non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 30 June 2014 and 31 December 2013 by geographical area are as follows:

Revenue

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	14,752	14,710
Mainland China	734,940	3,263,258
Singapore	-	27,042
	<u>749,692</u>	<u>3,305,010</u>

Non-current assets

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

	30 June 2014 <i>HK\$'000</i>	31 December 2013 <i>HK\$'000</i>
Hong Kong	4,548,010	5,297,405
Mainland China	4,965,734	4,999,133
Singapore	653	2
	<u>9,514,397</u>	<u>10,296,540</u>

3. Revenue

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sale of properties	551,524	3,122,744
Rental income	149,042	140,350
Hotel operations	49,126	41,916
	<u>749,692</u>	<u>3,305,010</u>

4. Profit before taxation

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	43,725	47,308
Net fair value gains on derivative financial instruments	-	2,866
Dividend income	113,739	-
and after charging:		
Cost of properties sold	344,708	1,292,733
Selling and marketing expenses	40,323	94,911
Depreciation (net of capitalisation)	22,779	23,216
Amortisation for leasehold land and land use rights	66	65
Net fair value losses on derivative financial instruments	8,524	-
Net exchange losses	8,537	16,438
Operating lease rental for land and buildings	3,913	1,010
Loss on disposal of property, plant and equipment	-	25
	<u>344,708</u>	<u>1,292,733</u>

5. Taxation charge

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current		
Hong Kong profits tax	-	2,159
Mainland China		
- Income tax	66,798	347,801
- Land appreciation tax	59,926	501,039
Overseas	-	1,832
(Over)/under-provision in previous years	(2,179)	360
Deferred	44,669	36,178
	169,214	889,369

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	213,778	887,572
	Number of shares	
	2014	2013
Weighted average number of shares for calculating basic earnings per share	2,716,238,000	2,638,538,000
Effect of dilutive potential ordinary shares		
Share options	10,786,000	14,700,000
Weighted average number of shares for calculating diluted earnings per share	2,727,024,000	2,653,238,000

7. Dividend

The Board has declared an interim scrip dividend (with a cash option) of HK\$137,923,000 (being 5 HK cents per share) (2013: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK\$134,117,000). This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31 December 2014.

8. Debtors and prepayments

	30 June 2014	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors, net of provision	184,724	601,984
Other debtors, net of provision	320,495	197,709
Amounts due from non-controlling interests	9,322	7,759
Land deposits	1,844,315	337,226
Prepayments and other deposits	66,270	74,178
	<u>2,425,126</u>	<u>1,218,856</u>

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 2014	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	181,080	502,319
Two to three months	2,215	45,548
Four to six months	1,427	32,614
Over six months	2	21,503
	<u>184,724</u>	<u>601,984</u>

9. Creditors and accruals

	30 June 2014	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	553,536	838,501
Other creditors	51,920	54,200
Amounts due to non-controlling interests	49,214	377,624
Accrued operating expenses	105,761	191,816
Advanced proceeds on sale of properties	106,460	114,652
Rental and other deposits received	102,305	99,418
	<u>969,196</u>	<u>1,676,211</u>

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

	30 June 2014	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	550,231	835,651
Two to three months	1,729	2,322
Four to six months	1,564	95
Over six months	12	433
	<u>553,536</u>	<u>838,501</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2014 was HK\$750 million, which was mainly derived from the property sales of The Palace and Upstream Park in Shanghai and The Summit in Jiangmen, as well as from the rental income of Shanghai K. Wah Centre.

The attributable revenue of the Group, comprising the revenue of the Group as well as attributable revenue from joint ventures and associated companies amounting to HK\$207 million, was HK\$957 million for the first half of 2014, down from HK\$3,627 million for the same period last year.

Attributable Contracted Sales of the Group (being contracted sales of the Group and attributable contributions from joint ventures and associated companies) in the first half of 2014 amounted to approximately HK\$1,380 million, mainly derived from The Palace, Upstream Park in Shanghai, J Metropolis in Guangzhou, The Summit in Jiangmen, and our joint venture projects of Marinella and Mayfair By The Sea I in Hong Kong. From the Attributable Contracted Sales of the Group during the period, approximately HK\$760 million was recognised in the accounts of the Group in the first half of 2014.

Profit attributable to equity holders of the Company for the six months ended 30 June 2014 was HK\$214 million. Underlying profit of the Group in the first half of 2014 was HK\$129 million.

The total comprehensive loss attributable to equity holders of the Company was HK\$1,180 million for the six months ended 30 June 2014. The total comprehensive loss mainly came from the decrease in fair value of HK\$1,243 million on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited.

Property Development and Investment in Hong Kong SAR

Cooling measures introduced by the Hong Kong government affected the local property market during the review period. Higher transaction volumes in the mass market during the second quarter of the year were mainly the result of bigger discounts and sales incentives offered to home buyers.

Sales of the Group in this period came mainly from the remaining units of our joint venture project, Marinella, and another newly launched joint venture project, Mayfair By The Sea I which recorded encouraging sales.

Leasing performance remained stable during the period. The Group completed the acquisition of the remaining interest in J SENSES, a premium dining and shopping arcade in Wan Chai, from the Urban Renewal Authority in March 2014.

During the period, the Group acquired a site located in the heart of the Kai Tak Development Area near the future Kai Tak underground station of the Shatin to Central Link. The total gross floor area of the site is 51,000 square metres, and the land premium is HK\$2.9 billion.

Property Development and Investment in Mainland China

In the first half of the year, the various cooling measures promulgated by the central government in Beijing were still in force. These measures, coupled with the tightening in bank mortgage lending, resulted in a material price correction in certain second and third tier cities.

During the period, the Group continued to sell the remaining units of The Palace and Upstream Park in Shanghai, J Metropolis in Guangzhou and The Summit in Jiangmen.

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

During the review period, the Group acquired a site in Dongguan adjacent to our existing project site, and both will be developed as a large-scale residential and commercial complex.

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 2014, the share price of GEG was HK\$61.9 per share representing a decrease of 11% over the last carried fair value of HK\$69.5 per share as of 31 December 2013. The resulting decrease in fair value of approximately HK\$1,243 million was recorded as a decrease in reserve.

OUTLOOK AND STRATEGY

The global and Asian economy

The US economy continued to recover during the review period, lending to the continued tapering of the expansionary monetary initiative by the Federal Reserve. GDP growth in the European Union was maintained since it turned positive a year ago.

Mainland China's economy remained solid with a provisional GDP growth of 7.4% in the first half of the year. In Hong Kong, the government revised down its 2014 GDP growth forecast by 1% point to 2-3% as a result of a fall-off in tourist spending and slowdown in domestic demand in the first half.

Hong Kong and Mainland property market

The Hong Kong market saw revived interest in new property development launches, particularly those catering to the mass market, on the back of discounted prices. The luxury segment also showed signs of resurrection evidenced by selected transactions in properties of over HK\$100 million.

In Mainland China, a price correction was coupled with shrinking transaction volumes in some second and third tier cities, mainly due to more stringent end user financing by the banks. However, a few cities have recently started to relax purchase restrictions, which should help improve market sentiment.

Project sales and progress

In Hong Kong, our joint venture project Mayfair By the Sea I was successfully launched in June with sales continuing into the second half. Meanwhile, existing stocks in Chantilly and joint venture projects Marinella, Providence Bay and Providence Peak will continue to be marketed in the second half of the year.

In Mainland China, Grand Summit, a prestigious top-end development in Jingan District of Shanghai, will be launched after the summer holidays. We will also continue to market existing stocks in Upstream Park and The Palace in Shanghai. In Guangzhou and Dongguan, phase 2 of J Metropolis in Xinhuzhen of Huadu District and Silver Cove are expected to be launched respectively in the second half of this year. Depending on market conditions and project progress, phase 2 in Huadu Jiahua Plaza in Guangzhou and phase 3 of J Metropolis in Xinhuzhen of Huadu District are expected to be launched towards the end of the year or early 2015. We will continue to market the existing stocks in Le Palais, The Summit in Jiangmen and phase 1 of J Metropolis in Xinhuzhen of Huadu District.

Depending on project progress, Mayfair By the Sea I in Hong Kong and Grand Summit in Shanghai may book revenue at the end of 2014 or early next year. The contracted sales from phases 2 and 3 (upon launch) of J Metropolis in Xinhuzhen of Huadu District, phase 2 of Huadu Jiahua Plaza (upon launch) in Guangzhou and Silver Cove in Dongguan will not be booked in 2014.

Land bank replenishment

At the beginning of the year, we successfully added two sites to our landbank: Kai Tak Area 1I Site 2 of 51,000 square metres GFA in Hong Kong, and Dongguan Shilong Town site (adjacent to our existing project in the same location) of 34,210 square metres GFA in Mainland China. These new sites brought our total acquisitions since August 2012 to nine, totalling approximately HK\$10,800 million in land premium payments.

Recurring income

In line with our stated strategy of doubling our existing recurring income portfolio of approximately 100,000 square metres GFA in three to four years, we completed the acquisition of our remaining interest in J SENSES in the first half of this year. Preparation for marketing the launch of approximately 29,000 square metres GFA of serviced apartments in Grand Summit, Shanghai is expected to be completed in the second half of this year.

Conclusion

The business environment in the first half of the year generally remained challenging. Although there are recent signs of the price fall ending in key cities of Mainland China and material pick-up in transaction volumes in Hong Kong, we are cautiously optimistic about the outlook of the market and will endeavour to launch the new projects outlined above to capture any window of opportunity.

REVIEW OF FINANCE

(1) Financial Position

The financial position of the Group remained robust. Total funds employed were increased to HK\$43 billion as of 30 June 2014 (31 December 2013: HK\$39 billion). The number of issued shares of the Company increased to 2,717,094,668 as of 30 June 2014 (31 December 2013: 2,712,152,918) as a result of certain share options being exercised during the period.

(2) Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short- to medium-term basis and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2014, cash and bank deposits stood at HK\$4,790 million, and total borrowings amounted to HK\$14,850 million. Of the long-term bank borrowings, around 89% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totalling HK\$5,970 million and HK\$4,825 million for working capital and project facility purposes respectively.

The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, stayed at a satisfactory level of 36% as of 30 June 2014 (31 December 2013: 14%).

In March 2014, the Group successfully arranged a syndicated loan of HK\$3.98 billion with a well-diversified consortium of banks. Part of the proceeds will be used for refinancing, while the remainder will serve as general working capital to enhance the Group's liquidity.

We also issued HK\$450 million in 7-year Fixed Rate Notes at attractive interest rates under our MTN programme through private placements in March 2014. These private placements help lengthen the average duration of our debt profile.

(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.

During the period, the Group engaged in the use of foreign exchange contracts to mitigate US dollar exposure in respect of the US dollar guaranteed notes. The Group has also engaged in the use of interest rate swap contracts to avoid the impact of any undue interest rate fluctuations on the Hong Kong dollar guaranteed notes and a certain portion of the 5-year syndicated loan raised in 2013.

(4) Charges on Group Assets

As of 30 June 2014, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$14,461 million (31 December 2013: HK\$11,560 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 30 June 2014, 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\$20,081 million (31 December 2013: HK\$12,748 million), HK\$117 million (31 December 2013: HK\$117 million) and HK\$1,000 million (31 December 2013: HK\$641 million), of which facilities totalling HK\$11,046 million (31 December 2013: HK\$6,184 million), HK\$117 million (31 December 2013: HK\$117 million) and HK\$440 million (31 December 2013: HK\$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$162 million (31 December 2013: HK\$158 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

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

EMPLOYEES AND REMUNERATION POLICY

The Group believes its success, long-term growth and development depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate competent individuals. The Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

Following approval by the shareholders in 1989, the Group has put in place a share option scheme for its executives and employees for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities and regard it as an important component of the Group's human resources strategy.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to principles of good corporate governance consistent with prudent enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing, monitoring and performing the Corporate Governance Policy and the Shareholders Communication Policy as adopted by the Board. 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 2014, the Company has complied with the code provisions ("*CPs*") 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) CP A.2.1, namely, the roles of chairman and managing director have not been separated; (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation; and (iii) CP A.6.7, namely, Mr. Au Man Chu, an Independent Non-executive Director, was unable to attend the annual general meeting of the Company held on 12 June 2014 due to other commitment.

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 2013 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.

AUDIT COMMITTEE

The Audit Committee of the Company met on 19 August 2014 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 months ended 30 June 2014 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 2014 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 period of six months ended 30 June 2014.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with cash option) for the six months ended 30 June 2014 of 5 HK cents per share, totaling HK\$137,923,000, payable on 21 October 2014 to the shareholders whose names appear on the registers of members of the Company at the close of business on 18 September 2014 (2013: an interim scrip dividend (with cash option) of 5 HK cents per share, totaling HK\$134,117,000).

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 21 October 2014. 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 16 September 2014 to 18 September 2014, 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 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 15 September 2014.

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 2014 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 2014.

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, 25 August 2014