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(Stock Code: 173)

Solid Sales Performance Sets Stage for Future

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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\$2,359 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK\$3,725 million.
- Profit attributable to equity holders increased 150% to HK\$534 million.
- Earnings per share was 19.2 HK cents, and an interim dividend per share of 5 HK cents was declared.
- Attributable contracted sales to be recognised in 2016 and 2017 amounted to approximately HK\$6.0 billion.
- As of 30 June 2015, net asset value per share was HK\$8.5 and cash and bank deposits amounted to HK\$7,277 million.
- During the period, the Group enhanced its funding capability by successfully securing a HK\$3.3 billion syndicated loan taking advantage of the favourable terms available in the market.
- The Group will continue to seek opportunities to augment its landbank on a disciplined basis.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)
For the six months ended 30 June 2015

	Note	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	3	2,358,994	749,692
Cost of sales		(900,549)	(376,157)
Gross profit		1,458,445	373,535
Other operating income		104,973	161,696
Other net losses		(14,012)	(16,961)
Other operating expenses		(172,218)	(54,935)
Administrative expenses		(234,249)	(217,371)
Change in fair value of investment properties		100,899	101,944
Finance costs		(39,968)	(12,912)
Share of profits of joint ventures		67,815	86,049
Share of profits/(losses) of associated companies		30,756	(7,641)
Profit before taxation	4	1,302,441	413,404
Taxation charge	5	(719,692)	(169,214)
Profit for the period		582,749	244,190
Attributable to:			
Equity holders of the Company		533,776	213,778
Non-controlling interests		48,973	30,412
		582,749	244,190
Earnings per share	6	<i>HK cents</i>	<i>HK cents</i>
Basic		19.2	7.9
Diluted		19.1	7.8
Dividend	7	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend		140,181	137,923

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2015

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	582,749	244,190
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	(2,079,796)	(1,243,003)
Exchange differences	6,902	(162,248)
Other comprehensive loss for the period	(2,072,894)	(1,405,251)
Total comprehensive loss for the period	(1,490,145)	(1,161,061)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(1,539,931)	(1,179,990)
Non-controlling interests	49,786	18,929
	(1,490,145)	(1,161,061)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2015

	Note	(unaudited) 30 June 2015 HK\$'000	(audited) 31 December 2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		535,869	553,866
Investment properties		8,231,632	8,127,845
Leasehold land and land use rights		17,228	17,555
Joint ventures		824,152	2,477,823
Associated companies		396,664	974,675
Non-current investment		5,020,757	7,100,553
Deferred taxation assets		80,058	36,455
Derivative financial instruments		918	2,644
Other non-current assets		78,318	41,886
		<u>15,185,596</u>	<u>19,333,302</u>
Current assets			
Development properties		23,263,822	22,547,104
Inventories		2,178	2,790
Amount due from a joint venture		168,262	228,260
Amounts due from associated companies		1,099,815	788,782
Debtors and prepayments	8	1,635,164	1,118,335
Taxes recoverable		193,302	112,763
Cash and bank deposits		7,277,233	6,038,760
		<u>33,639,776</u>	<u>30,836,794</u>
Total assets		<u>48,825,372</u>	<u>50,170,096</u>
EQUITY			
Share capital		278,715	278,715
Reserves		23,335,882	24,866,467
Shareholders' funds		<u>23,614,597</u>	<u>25,145,182</u>
Non-controlling interests		1,606,834	1,545,781
Total equity		<u>25,221,431</u>	<u>26,690,963</u>
LIABILITIES			
Non-current liabilities			
Borrowings		14,081,449	13,244,026
Guaranteed notes		2,704,752	2,703,597
Derivative financial instruments		15,399	2,911
Deferred taxation liabilities		1,690,771	1,626,042
		<u>18,492,371</u>	<u>17,576,576</u>
Current liabilities			
Amounts due to joint ventures		182,237	1,789,263
Amount due to an associated company		27,085	27,085
Creditors and accruals	9	2,335,012	1,351,614
Current portion of borrowings		1,119,271	1,824,578
Taxes payable		1,447,965	910,017
		<u>5,111,570</u>	<u>5,902,557</u>
Total liabilities		<u>23,603,941</u>	<u>23,479,133</u>
Total equity and liabilities		<u>48,825,372</u>	<u>50,170,096</u>
Net current assets		<u>28,528,206</u>	<u>24,934,237</u>
Total assets less current liabilities		<u>43,713,802</u>	<u>44,267,539</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2015 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. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014 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 2014, except as stated below.

The adoption of revised HKFRSs

In 2015, the Group adopted the following amendments to standards, which are relevant to its operations.

HKAS 19 (Amendment)	Defined Benefit Plan: Employee Benefits — Employee Contributions
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Annual Improvements to HKFRSs 2010–2012 Cycle

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 24 (Amendment)	Related Party Disclosures
HKAS 38 (Amendment)	Intangible Assets
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 8 (Amendment)	Operating Segments

Annual Improvements to HKFRSs 2011–2013 Cycle

HKAS 40 (Amendment)	Investment Property
HKFRS 3 (Amendment)	Business Combinations
HKFRS 13 (Amendment)	Fair Value Measurement

The Group has assessed the impact of the adoption of these amendments to standards 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)

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements – Disclosure Initiative	1 January 2016
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 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities – Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Joint Arrangement – Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to HKFRSs 2012-2014 Cycle		1 January 2016

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 2015						
Revenue	-	2,133,341	-	173,623	52,030	2,358,994
Adjusted EBITDA	(971)	1,197,159	(1,458)	163,049	(112,648)	1,245,131
Other income and expenses/losses, net						(81,257)
Depreciation and amortisation						(20,935)
Change in fair value of investment properties				100,899		100,899
Finance costs						(39,968)
Share of profits/(losses) of joint ventures	68,010	(195)				67,815
Share of profits of associated companies	30,756					30,756
Profit before taxation						1,302,441
Taxation charge						(719,692)
Profit for the period						582,749
As at 30 June 2015						
Segment assets	11,003,315	20,844,455	326,178	8,616,385	-	40,790,333
Other assets	-	-	-	-	5,546,146	5,546,146
Joint ventures	995,665	(3,251)	-	-	-	992,414
Associated companies	1,496,479	-	-	-	-	1,496,479
Total assets	13,495,459	20,841,204	326,178	8,616,385	5,546,146	48,825,372
Total liabilities	8,711,524	13,256,214	401	1,578,091	57,711	23,603,941
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 31 December 2014						
Segment assets	9,878,556	18,909,485	333,099	8,470,559	-	37,591,699
Other assets	-	-	-	-	8,108,857	8,108,857
Joint ventures	2,709,139	(3,056)	-	-	-	2,706,083
Associated companies	1,763,457	-	-	-	-	1,763,457
Total assets	14,351,152	18,906,429	333,099	8,470,559	8,108,857	50,170,096
Total liabilities	9,922,964	11,944,568	281	1,541,504	69,816	23,479,133

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 2015						
Additions to non-current assets	-	733	111	-	650	1,494
Six months ended 30 June 2014						
Additions to non-current assets	-	1,588	719	429,136	658	432,101

Geographical segment information

The Group operates in three (2014: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the six months ended 30 June 2015 and 2014 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 30 June 2015 and 31 December 2014 by geographical area are as follows:

Revenue

	2015 HK\$'000	2014 HK\$'000
Hong Kong	20,828	14,752
Mainland China	2,338,166	734,940
	2,358,994	749,692

Non-current assets

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Hong Kong	1,257,067	1,257,365
Mainland China	7,527,143	7,441,380
Singapore	519	521
	8,784,729	8,699,266

3. Revenue

	2015 HK\$'000	2014 HK\$'000
Sale of properties	2,133,341	551,524
Rental income	173,623	149,042
Hotel operations	52,030	49,126
	2,358,994	749,692

4. Profit before taxation

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	47,741	43,725
Dividend income from non-current investment	45,495	113,739
Net exchange gains	701	-
and after charging:		
Cost of properties sold	867,156	344,708
Selling and marketing expenses	160,202	40,323
Depreciation (net of capitalisation)	20,869	22,779
Amortisation for leasehold land and land use rights	66	66
Operating lease rental for land and buildings	3,947	3,913
Loss on disposal of property, plant and equipment	499	-
Net fair value losses on derivative financial instruments	14,214	8,524
Net exchange losses	-	8,537
	<u> </u>	<u> </u>

5. Taxation charge

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current		
Hong Kong profits tax	1,647	-
Mainland China		
- Income tax	256,863	66,798
- Land appreciation tax	435,094	59,926
Under/(over)-provision in previous years	4,503	(2,179)
Deferred	21,585	44,669
	<u> </u>	<u> </u>
	<u>719,692</u>	<u>169,214</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 has been provided at the rates of taxation prevailing in Mainland China 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 loss.

6. Earnings per share

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

	2015	2014
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	533,776	213,778
	Number of shares	
	2015	2014
Weighted average number of shares for calculating basic earnings per share	2,787,154,000	2,716,238,000
Effect of dilutive potential ordinary shares – Share options	4,737,000	10,786,000
Weighted average number of shares for calculating diluted earnings per share	2,791,891,000	2,727,024,000

7. Dividend

The Board has declared an interim scrip dividend (with a cash option) of HK\$140,181,000 (being 5 HK cents per share) (2014: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK\$137,923,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2015.

8. Debtors and prepayments

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
Trade debtors, net of provision	1,344,718	839,924
Other debtors, net of provision	199,627	191,001
Amounts due from non-controlling interests	9,384	9,380
Land deposits	9,706	9,706
Prepayments and other deposits	71,729	68,324
	1,635,164	1,118,335

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 2015	31 December 2014
	HK\$'000	HK\$'000
Within one month	1,203,326	798,151
Two to three months	55,201	188
Four to six months	75,509	21,842
Over six months	10,682	19,743
	1,344,718	839,924

9. Creditors and accruals

	30 June 2015	31 December 2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade creditors	872,669	914,919
Other creditors	53,623	39,140
Amounts due to non-controlling interests	5,850	5,847
Accrued operating expenses	202,933	173,720
Advanced proceeds on sale of properties	1,068,829	95,869
Rental and other deposits received	131,108	122,119
	2,335,012	1,351,614

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

	30 June 2015	31 December 2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one month	869,379	910,032
Two to three months	2,165	3,305
Four to six months	321	946
Over six months	804	636
	872,669	914,919

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2015 was HK\$2,359 million, which was mainly derived from the property sales of Grand Summit and Upstream Park in Shanghai and J Wings in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$1,366 million) was HK\$3,725 million for the six months ended 30 June 2015.

Attributable Contracted Sales of the Group (being contracted sales of the Group and attributable sales contributions from joint ventures and associated companies) in the first half of 2015 amounted to approximately HK\$8.7 billion, mainly derived from Twin Peaks and the joint venture project of Corinthia By The Sea in Hong Kong, Grand Summit, Upstream Park and The Palace Phase II in Shanghai, and J Wings and J Metropolis in Guangzhou. Approximately HK\$2.7 billion of the above Attributable Contracted Sales of the Group was recognised in the accounts for the six months ended 30 June 2015. The remaining HK\$6.0 billion Attributable Contracted Sales is expected to be recognised in 2016 and 2017.

Profit attributable to equity holders of the Company was HK\$534 million while underlying profit of the Group (before fair value gain of investment properties) was HK\$482 million for the six months ended 30 June 2015.

Total comprehensive loss attributable to equity holders of the Company was HK\$1,540 million for the six months ended 30 June 2015. The total comprehensive loss came from the decrease in fair value of HK\$2,080 million on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited for the six months ended 30 June 2015.

Property Development and Investment in Hong Kong SAR

During the first half of 2015, mass market home prices in Hong Kong continued to rise as a result of pent-up end-user demand for small- to medium-sized units. Transaction volume remained active during the same period with just over 32,000 units of private residential buildings changing hands, of which approximately 8,700 units were primary market transactions.

Sales of the Group in this period came mainly from the remaining units of our joint venture projects, Providence Peak and Providence Bay. Pre-sales of Twin Peaks and Corinthia By The Sea in Tseung Kwan O began in March and June respectively. The market response to these projects was overwhelming, with over 90% of the residential units sold within a short period of time.

The occupation permit for our joint venture project of Mayfair By The Sea I was obtained in June and thus the pre-sale result in whole was recognised in the first half of 2015.

Leasing performance remained stable during the period. Our premium dining and shopping arcade J SENSES in Wan Chai continued to maintain full occupancy and record satisfactory rental income.

Property Development and Investment in Mainland China

During the first half of 2015, the property market in the first tier cities of Mainland China was generally active with prices picking up as a result of the relaxation in mortgage requirements and surging stock markets.

During the review period, the Group continued to market the remaining units of Grand Summit, The Palace and Upstream Park in Shanghai, J Metropolis in Guangzhou and The Summit in Jiangmen. We also launched three projects during the period, namely, The Palace Phase II in Shanghai and J Metropolis Phase II and J Wings in Guangzhou. All three projects received a good response in the market with encouraging sales. With the completion of the J Wings project, the pre-sale revenue was recognised in the first half of 2015.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of over 90% during 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 2015, the share price of GEG was HK\$30.9 per share representing a decrease of 29% over the last carried fair value of HK\$43.7 per share as of 31 December 2014. The resulting decrease in fair value of approximately HK\$2,080 million was recorded as a decrease in reserve.

OUTLOOK AND STRATEGY

Global and Asian economy

In the US, growth, inflation and unemployment economic indicators have been largely on track for an interest rate hike generally expected before the end of the year. The Euro zone is still in a recovery phase having just emerged from the political uncertainty of a potential "Grexit". China delivered better than expected second quarter GDP growth at 7.0% on the back of improving infrastructure spending, property sales and export growth.

Hong Kong and Mainland property market

The Hong Kong residential market continued on an upward trend in the first half of the year with the small unit size segment outperforming the overall market. It is expected that the primary market for small units will continue to be active with developers adopting a reasonable pricing strategy.

The property market in Mainland China gathered momentum in the first half of 2015, mainly in first tier cities such as Shenzhen, before the sharp correction in the A-share stock market in the middle of the year. The mortgage and monetary easing by the central bank along with the surge in A-share prices in the first half benefited the property market. Further monetary easing is expected in the second half, which should bode well for a stable property market.

Project sales and progress

In Hong Kong, construction works for Yuen Long Town Lot No.513, which is adjacent to Long Ping MTR station and 60% owned by the Group, are in progress and the project is currently expected to be launched towards the end of this year or early next year. We will also continue to launch available units in Chantilly and Twin Peaks as well as in our joint venture projects Marinella, Providence Bay, Providence Peak, Mayfair By The Sea I and Corinthia By The Sea. For projects launched this year, the sales results of Twin Peaks and joint venture project Corinthia By The Sea

are expected to be recognised in 2016, whereas for Yuen Long Town Lot No.513 (if launched this year) they are expected to be recognised only in 2017.

In Shanghai, during the second half of the year we will continue to market available units in Grand Summit, The Palace Phases I and II and Upstream Park. For The Palace Phase II launched in the first half of this year, the results are expected to be recognised only in 2017.

In Guangzhou, in the second half of the year we will continue to sell available units in J Metropolis Phases II and III, The J Wings, Le Palais and Silver Cove (in Dongguan). For J Metropolis Phases II and III launched this year and Silver Cove, the results are expected to be recognised in 2016.

Land bank replenishment

Although we did not add to our land bank in the first half of the year, we will continue to exercise discipline in our land banking replenishment programme in Hong Kong and Shanghai.

Conclusion

Property market conditions in our core markets of Hong Kong, Shanghai and Guangzhou are expected to remain stable, and we will ride on our successful sales efforts in the first half of the year to market the available units in our various projects. With the majority of the sales proceeds from the project sales in the first half coming in during the second half, we will continue to look for investment opportunities on a disciplined basis.

REVIEW OF FINANCE

(1) Financial Position

The financial position of the Group remained strong. As of 30 June 2015, total funds employed (being total equity and total borrowings and guaranteed notes) were HK\$43 billion (31 December 2014: HK\$44 billion). The number of issued shares of the Company was the same as of 31 December 2014.

(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 2015, the Group's borrowings of bank loans and guaranteed notes were HK\$17,905 million, the maturity profile is spread over a period of 6 years, with 6% repayable within one year and the remaining 94% repayable over one to six years. The average interest rate for the Group during the review period was approximately at 2.9%

In addition, the Group had available undrawn facilities totalling HK\$5,980 million and HK\$8,028 million for working capital and project facility purposes respectively.

As of 30 June 2015, cash and bank deposits stood at HK\$7,277 million and approximately 56% was held in Renminbi.

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, stayed at a satisfactory level of 42% as of 30 June 2015 (31 December 2014: 44%).

In March 2015, the Group successfully arranged a syndicated loan of HK\$3.3 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.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure to minimise risk. 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.

Of the Group's borrowings of bank loans and guaranteed notes of HK\$17,905 million as of 30 June 2015, approximately 88% was denominated in Hong Kong dollars after hedge with the remainder in Renminbi. Approximately 80% of such borrowings and notes was on a floating rate basis with the remainder on a fixed rate basis after hedge. The decision by China's central bank to reform the USD-RMB fixing mechanism in August is likely to lead to greater volatility in RMB exchange rate. The main effect of such volatility is expected to be reflected in the translation of the Group's RMB denominated net assets and trading results into HK dollars being the reporting currency of the Group.

(4) Charges on Group Assets

As of 30 June 2015, 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\$20,293 million (31 December 2014: HK\$20,028 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 30 June 2015, 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\$23,795 million (31 December 2014: HK\$23,346 million), HK\$117 million (31 December 2014: HK\$117 million) and HK\$1,000 million (31 December 2014: HK\$1,000 million), of which facilities totalling HK\$12,909 million (31 December 2014: HK\$12,938 million), HK\$117 million (31 December 2014: HK\$117 million) and HK\$552 million (31 December 2014: HK\$440 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$377 million (31 December 2014: HK\$123 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 regards 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 2015, 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 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 2014 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.

CHANGES IN THE BOARD

On 31 July 2015, Professor Poon Chung Kwong had resigned as an Independent Non-executive Director and a member of the Audit Committee of the Company and Dr. Moses Cheng Mo Chi, being the Non-executive Director of the Company, was appointed as a member of the Audit Committee in his replacement.

AUDIT COMMITTEE

The Audit Committee of the Company met on 18 August 2015 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 2015 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 2015 Interim Report 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 2015.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with cash option) for the six months ended 30 June 2015 of 5 HK cents per share, totaling HK\$140,181,000, payable on 20 October 2015 to the shareholders whose names appear on the registers of members of the Company at the close of business on 18 September 2015 (2014: an interim scrip dividend (with cash option) of 5 HK cents per share, totaling HK\$137,923,000).

Payment of the interim 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 20 October 2015. 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 2015 to 18 September 2015, 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 2015.

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 2015 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 2015.

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, 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 2015