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(Stock Code: 00173)

Reaching new heights through Excellence and Quality

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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\$5,536 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK\$7,911 million.
- Attributable Contracted Sales of the Group amounted to HK\$6.7 billion for the six months ended 30 June 2016 with HK\$4.2 billion expected to be recognised as revenue in second half of 2016 and the two years ending 2018.
- Profit attributable to equity holders increased 255 % to HK\$1,897 million.
- Earnings per share was 66.82 HK cents, and an interim dividend per share of 5 HK cents was declared.
- As of 30 June 2016, net asset value per share was HK\$8.16 and cash and bank deposits amounted to HK\$7,489 million.
- The projects on hand are progressing as scheduled.
- 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 2016

	Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	5,535,928	2,358,994
Cost of sales		(3,013,651)	(900,549)
Gross profit		<u>2,522,277</u>	<u>1,458,445</u>
Other operating income		59,951	104,973
Other net gains/(losses)		92,588	(14,012)
Other operating expenses		(253,921)	(172,218)
Administrative expenses		(234,309)	(234,249)
Change in fair value of investment properties		26,530	100,899
Finance costs		(8,441)	(39,968)
Share of profits of joint ventures		23,553	67,815
Share of profits of associated companies		683,109	30,756
Profit before taxation	4	<u>2,911,337</u>	<u>1,302,441</u>
Taxation charge	5	<u>(989,872)</u>	<u>(719,692)</u>
Profit for the period		<u>1,921,465</u>	<u>582,749</u>
Attributable to:			
Equity holders of the Company		1,897,363	533,776
Non-controlling interests		24,102	48,973
		<u>1,921,465</u>	<u>582,749</u>
Earnings per share	6	<i>HK cents</i>	<i>HK cents</i>
Basic		66.82	19.15
Diluted		<u>66.72</u>	<u>19.12</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>1,921,465</u>	<u>582,749</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	(235,602)	(2,079,796)
Exchange differences arising from translation	(334,937)	6,902
Other comprehensive loss for the period	<u>(570,539)</u>	<u>(2,072,894)</u>
Total comprehensive income/(loss) for the period	<u>1,350,926</u>	<u>(1,490,145)</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	1,347,913	(1,539,931)
Non-controlling interests	3,013	49,786
	<u>1,350,926</u>	<u>(1,490,145)</u>

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2016

	Note	(unaudited) 30 June 2016 HK\$'000	(audited) 31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		471,953	500,680
Investment properties		7,924,608	7,829,881
Leasehold land and land use rights		15,282	15,904
Joint ventures		871,881	837,530
Associated companies		1,163,041	510,218
Non-current investment		3,737,133	3,972,735
Deferred taxation assets		71,097	100,048
Derivative financial instruments		6,432	846
Other non-current assets		161,422	85,613
		<u>14,422,849</u>	<u>13,853,455</u>
Current assets			
Development properties		24,557,791	26,395,780
Inventories		1,378	2,680
Amounts due from associated companies		111,150	165,150
Debtors and prepayments	8	1,907,144	1,611,519
Financial assets at fair value through profit or loss		327,791	-
Taxes recoverable		251,098	198,018
Cash and bank deposits		7,488,771	4,337,042
		<u>34,645,123</u>	<u>32,710,189</u>
Total assets		<u>49,067,972</u>	<u>46,563,644</u>
EQUITY			
Share capital		283,979	283,959
Reserves		22,893,606	21,541,214
Shareholders' funds		<u>23,177,585</u>	<u>21,825,173</u>
Non-controlling interests		1,598,370	1,511,587
Total equity		<u>24,775,955</u>	<u>23,336,760</u>
LIABILITIES			
Non-current liabilities			
Borrowings		9,478,914	9,418,226
Guaranteed notes		1,147,333	2,706,597
Derivative financial instruments		20,143	17,302
Deferred taxation liabilities		1,714,131	1,645,558
		<u>12,360,521</u>	<u>13,787,683</u>
Current liabilities			
Amounts due to joint ventures		253,918	238,970
Amounts due to associated companies		103,034	31,768
Creditors and accruals	9	1,356,437	1,432,662
Pre-sales deposits		5,443,770	5,404,066
Current portion of borrowings		1,102,508	459,791
Current portion of guaranteed notes		1,562,873	-
Taxes payable		2,108,956	1,871,944
		<u>11,931,496</u>	<u>9,439,201</u>
Total liabilities		<u>24,292,017</u>	<u>23,226,884</u>
Total equity and liabilities		<u>49,067,972</u>	<u>46,563,644</u>
Net current assets		<u>22,713,627</u>	<u>23,270,988</u>
Total assets less current liabilities		<u>37,136,476</u>	<u>37,124,443</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2016 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investment, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 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 2015, except as stated below.

The adoption of revised HKFRSs

In 2016, the Group adopted the following new standard and amendments to standards, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements — Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities — Applying the consolidation exception
HKFRS 11 (Amendment)	Joint Arrangement — Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements to HKFRSs 2012–2014 Cycle	

The Group has assessed the impact of the adoption of these new standard and 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 standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is not yet in a position to state whether the adoption of the above new standards and amendments to standards 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 gains/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, financial assets at fair value through profit or loss, 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, pre-sales deposits, amounts due to joint ventures and associated companies, 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 2016						
Revenue	3,154,409	2,146,259	-	187,024	48,236	5,535,928
Adjusted EBITDA	818,659	1,437,594	(1,491)	169,411	(116,033)	2,308,140
Other income and expenses/gains, net						(101,382)
Depreciation and amortisation						(20,172)
Change in fair value of investment properties				26,530		26,530
Finance costs						(8,441)
Share of profits/(losses) of joint ventures	23,567	(14)				23,553
Share of profits of associated companies	683,109					683,109
Profit before taxation						2,911,337
Taxation charge						(989,872)
Profit for the period						1,921,465
As at 30 June 2016						
Segment assets	11,673,585	22,249,308	327,139	8,144,772	-	42,394,804
Other assets	-	-	-	-	4,527,096	4,527,096
Joint ventures	871,409	472	-	-	-	871,881
Associated companies	1,274,191	-	-	-	-	1,274,191
Total assets	13,891,185	22,249,780	327,139	8,144,772	4,527,096	49,067,972
Total liabilities	7,311,959	15,032,393	421	1,863,825	83,419	24,292,017
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 31 December 2015						
Segment assets	13,026,066	19,168,668	311,183	7,976,587	-	40,482,504
Other assets	-	-	-	-	4,568,242	4,568,242
Joint ventures	837,043	487	-	-	-	837,530
Associated companies	675,368	-	-	-	-	675,368
Total assets	14,538,477	19,169,155	311,183	7,976,587	4,568,242	46,563,644
Total liabilities	9,080,935	12,517,864	716	1,566,837	60,532	23,226,884

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 2016						
Additions to non-current assets	-	520	-	-	919	1,439
Six months ended 30 June 2015						
Additions to non-current assets	-	733	111	-	650	1,494

Geographical segment information

The Group operates in three (2015: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the six months ended 30 June 2016 and 2015 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 2016 and 31 December 2015 by geographical area are as follows:

Revenue

	2016 HK\$'000	2015 HK\$'000
Hong Kong	3,174,360	20,828
Mainland China	2,361,568	2,338,166
	5,535,928	2,358,994

Non-current assets

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Hong Kong	1,417,841	1,236,953
Mainland China	6,993,699	7,109,120
Singapore	303	392
	8,411,843	8,346,465

3. Revenue

	2016 HK\$'000	2015 HK\$'000
Sales of properties	5,300,668	2,133,341
Rental income	187,024	173,623
Hotel operations	48,236	52,030
	5,535,928	2,358,994

4. Profit before taxation

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	24,897	47,741
Dividend income from non-current investment	24,373	45,495
Fair value gain on transfer of development properties to investment properties	91,762	-
Net fair value gains on derivative financial instruments	2,745	-
Net exchange gains	-	701
and after charging:		
Cost of properties sold	2,980,370	867,156
Selling and marketing expenses	249,270	160,202
Depreciation (net of capitalisation)	20,109	20,869
Amortisation for leasehold land and land use rights	63	66
Operating lease rental for land and buildings	4,214	3,947
Loss on disposal of property, plant and equipment	72	499
Net fair value losses on derivative financial instruments	-	14,214
Net exchange losses	1,847	-

5. Taxation charge

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current		
Hong Kong profits tax	87,585	1,647
Mainland China		
- Income tax	193,779	256,863
- Land appreciation tax	579,651	435,094
Under-provision in previous years	3,855	4,503
Deferred	125,002	21,585
	<u>989,872</u>	<u>719,692</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	1,897,363	533,776
	Number of shares	
	2016	2015
Weighted average number of shares for calculating basic earnings per share	2,839,697,000	2,787,154,000
Effect of dilutive potential ordinary shares – Share options	4,149,000	4,737,000
Weighted average number of shares for calculating diluted earnings per share	2,843,846,000	2,791,891,000

7. Dividend

The Board has declared an interim scrip dividend (with a cash option) of HK\$146,376,000 (being 5 HK cents per share) (2015: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK\$140,181,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2016.

8. Debtors and prepayments

	30 June 2016	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors, net of provision	1,047,979	1,222,875
Other debtors, net of provision	204,025	196,413
Amounts due from non-controlling interests	-	8,833
Prepayments and other deposits	387,413	127,582
Prepaid sales taxes	267,727	55,816
	1,907,144	1,611,519

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 2016	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	907,890	897,921
Two to three months	94,004	259,417
Four to six months	70	63,496
Over six months	46,015	2,041
	1,047,979	1,222,875

9. Creditors and accruals

	30 June 2016	31 December 2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade creditors	925,917	972,932
Other creditors	57,043	48,493
Amounts due to non-controlling interests	5,397	5,506
Accrued operating expenses	236,389	274,610
Rental and other deposits received	131,691	131,121
	1,356,437	1,432,662

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

	30 June 2016	31 December 2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one month	802,923	821,538
Two to three months	108,635	133,348
Four to six months	921	366
Over six months	13,438	17,680
	925,917	972,932

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2016 was HK\$5,536 million, which was mainly derived from the property sales of Twin Peaks in Hong Kong, Grand Summit 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\$2,375 million) was HK\$7,911 million for the six months ended 30 June 2016.

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 2016 amounted to approximately HK\$6.7 billion, mainly derived from Grand Summit and The Palace Phase II in Shanghai, J Metropolis Phase II & III in Guangzhou, Silver Cove in Dongguan and The Spectra in Hong Kong. Approximately HK\$2.5 billion of the above Attributable Contracted Sales of the Group was recognised in the accounts for the six months ended 30 June 2016. The remaining HK\$4.2 billion of Attributable Contracted Sales is expected to be recognised in the second half of 2016 and the two years ending 2018.

Profit attributable to equity holders of the Company increased 255% to HK\$1,897 million while underlying profit of the Group (before fair value gain of investment properties) increased 276% to HK\$1,813 million for the six months ended 30 June 2016.

Total comprehensive income attributable to equity holders of the Company was HK\$1,348 million for the six months ended 30 June 2016 after accounting for other comprehensive loss, from the moderate decrease in fair value of HK\$236 million on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited (“GEG”) and exchange differences arising from translation of the Group’s RMB denominated net assets at period end.

Property Development and Investment in Hong Kong SAR

Hong Kong’s residential property prices started to correct in the second half of 2015, and lukewarm market sentiment carried over to the first quarter of 2016 as buyers adopted a wait-and-see attitude. However, market momentum has picked up lately due to competitive pricing and aggressive mortgage and financing plans offered by property developers. All of these measures stimulated pent-up demand and drew buyers to the primary market, as evidenced by an increase in transaction volume and stabilisation in transaction prices during the second quarter. The property price index from Rating and Valuation Department of Hong Kong Government recorded a slight drop for the first six months as compared with the last year-end.

Sales of the Group in this period were mainly driven by the joint venture project The Spectra and the remaining units of joint venture projects Marinella, Providence Bay, Providence Peak and Mayfair By the Sea I. The Spectra was launched in March and received a satisfactory market response.

Occupation permits for Twin Peaks and Corinthia By The Sea were obtained in June, and thus the sales for these two projects were recognised in the first half of 2016.

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

Housing demand was underpinned during the review period by the Chinese Government's de-stocking and relaxation policies, including bank reserve requirements as announced by the People's Bank of China in February this year. Property markets in tier one cities and adjacent tier two cities remained active with rising transaction prices and volumes in the first quarter of the year. Certain austerity measures were thus implemented in the second quarter in Shanghai and Shenzhen in order to cool down the market, significantly reducing the number of transactions, especially for high-end properties, whereas transaction prices remained intact in tier one cities amidst more balanced demand and supply. Nevertheless, land prices in these cities rose further in recent months while the local governments are implementing new measures aiming to cool down the property market.

The Group continued to roll out the available units of Grand Summit and The Palace Phase II in Shanghai, J Metropolis and J Wings in Guangzhou and Silver Cove in Dongguan, which were well received by the market.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of over 95% during the period.

Investment in GEG

The Group continues to hold its non-current investment in GEG carried at fair value. As of 30 June 2016, the share price of GEG was HK\$23.0 per share compared with HK\$24.5 per share as of 31 December 2015. The resulting decrease in fair value of approximately HK\$236 million was recorded as a decrease in reserve.

OUTLOOK AND STRATEGY

Global and Asian Economy

On 23 June, UK voters decided in the Brexit referendum to leave the European Union. The results of the referendum led to economic and political uncertainty in the UK and Europe as well as in the global economy. In the US, it is expected that interest rate hikes will take a longer, slower and flatter path. The US presidential election also added to the uncertainty.

The near-term economic impact of Brexit on China is likely to be limited, despite its implications for China's monetary policies. On the other hand, the RMB has depreciated against USD by approximately 2.3% in the period.

China's GDP growth was 6.7% in the first half of 2016, which was in line with the Government's growth target of 6.5–7% for the full year. In Hong Kong, the second quarter GDP grew modestly by 1.7% in real terms over a year earlier, up from 0.8% in the preceding quarter. The Government maintained its forecast real GDP growth of 1–2% for 2016.

Hong Kong and Mainland Property Market

Supply of residential units in Hong Kong is expected to increase in the next few years. However, with abundant liquidity and low interest rates, coupled with genuine underlying demand, the residential market is expected to remain stable. Small sized units will continue to be the most active segment in the overall market.

The residential market in Mainland China continued to be strong in first tier cities, with support provided by the record prices set in recent months at public land auctions. It is expected that the market will remain solid in the second half of 2016.

Project Sales and Progress

In Hong Kong, construction works for the joint venture project The Spectra and the wholly-owned project at Kai Tak Area 1I Site 2 progressed as scheduled. Pre-sale of The Spectra commenced in March 2016 while Kai Tak is expected to be launched towards the end of this year or early next year. The sales of these two projects are expected to be recognised in 2018. Construction on Tai Po Town Lot No. 226 will be started soon.

In the coming few months, we will launch the last phase of The Palace in Shanghai and The Peak Phase I in Nanjing. The total saleable area of this phase of The Palace is approximately 69,000 square metres, of which we will retain approximately 26,000 square metres as serviced apartments, while The Peak is approximately 142,800 square metres (of which Phase I is approximately 30,000 square metres). These two projects are expected to be completed in 2017. In addition, we will continue to market the available units in Grand Summit.

In the Pearl River Delta region, we will launch J Metropolis Phase IV in Guangzhou and Silver Cove Phase III in Dongguan in the next few months. In addition we will continue to sell the remaining units in J Metropolis, J Wings, Le Palais and Silver Cove. J Metropolis Phases II & III and Silver Cove Phases I & II will be completed within the next few months, and the results are expected to be recognised in the second half of 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 and sound judgment in our land banking replenishment programme in Hong Kong and Mainland China.

Recurring Income

Currently, we have 130,000 square metres in our recurring income portfolio. We will add another 26,000 square metres to this portfolio by converting a certain portion of The Palace Phase III in Shanghai into serviced apartments when construction is completed in 2017. We are on course to achieve our target of increasing the GFA of our recurring income portfolio to 200,000 square metres in coming few years, with the aim of further reducing earnings volatility and supporting our annual dividend payments.

Dividend income derived from our approximately 3.8% interest in Galaxy Entertainment Limited remained one of our sources of recurring income.

Conclusion

The business environment in the first half of the year was challenging and will continue to be so in the second half. Brexit will inevitably slow down the economic recovery in Europe but its direct impact on Hong Kong and the Mainland will be limited. We are cautiously optimistic about the residential markets in the cities where we operate, including Hong Kong, Shanghai, Nanjing, Guangzhou and Dongguan, as the underlying demand in these cities remains strong. We will launch our new projects in the pipeline, as stated earlier, and will also continue to replenish our land bank in a disciplined manner.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained healthy. As of 30 June 2016, total funds (being total equity and total borrowings and guaranteed notes) employed were HK\$38 billion (31 December 2015: HK\$36 billion). The number of issued shares of the Company increased to 2,839,797,270 as of 30 June 2016 (31 December 2015: 2,839,597,270) as a result of the exercise of share options during the period.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short- to medium-term basis and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2016, the Group's borrowings in bank loans and guaranteed notes were HK\$13,292 million, with a maturity profile spread over a period of up to six years, with 20% repayable within one year and the remaining 80% repayable over one to six years. The average interest rate for the Group during the review period was approximately 2.7%.

In addition, the Group had available undrawn facilities totalling HK\$12,544 million, comprising HK\$6,865 million for working capital and HK\$5,679 million for project facility purposes.

As of 30 June 2016, cash and bank deposits stood at HK\$7,489 million, and approximately 76% 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 23% as of 30 June 2016 (31 December 2015: 35%).

Treasury Policies

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

Of the Group's bank loans and guaranteed notes of HK\$13,292 million as of 30 June 2016, approximately 91% was denominated in Hong Kong dollars after hedging, with the remainder in Renminbi. Approximately 74% of such borrowings and notes was on a floating rate basis, with the remainder on a fixed rate basis after hedging.

Charges on Group Assets

As of 30 June 2016, 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\$13,125 million (31 December 2015: HK\$12,078 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2016, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and joint ventures amounting to HK\$20,423 million (31 December 2015: HK\$21,039 million) and HK\$117 million (31 December 2015: HK\$117 million) respectively. Of these, facilities totalling HK\$9,614 million (31 December 2015: HK\$8,902 million) and HK\$117 million (31 December 2015: HK\$117 million) respectively have been utilised respectively.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK\$1,389 million (31 December 2015: HK\$564 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 with respect to the performance obligation of an investee company under a contract with the HKSAR Government.

EMPLOYEES AND REMUNERATION POLICY

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

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

CORPORATE GOVERNANCE

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

During the period of six months ended 30 June 2016, 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, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2015 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 15 August 2016 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 2016 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 2016 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 listed securities during the period of six months ended 30 June 2016.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with a cash option) for the six months ended 30 June 2016 of 5 HK cents per share, totaling HK\$146,376,000, payable on 18 October 2016 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2016 (2015: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK\$140,181,000).

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 18 October 2016. The Company will send a circular to the shareholders containing, among others, details of the interim scrip dividend with a cash option.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 September 2016 to 19 September 2016, 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 13 September 2016.

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 2016 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 2016.

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, 22 August 2016