嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 00173)

Sustaining Success through Excellence and Quality

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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:

- Attributable contracted sales of the Group amounted to approximately HK$10.3 billion for the six months ended 30 June 2017 with HK$8.8 billion expected to be recognised in the second half of 2017 and the year ending 2018.
- Revenue of the Group was HK$4,918 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK$5,207 million.
- Profit attributable to equity holders increased 14% to HK$2,162 million.
- Earnings per share was 73.06 HK cents, and an interim dividend per share of 5 HK cents was declared.
- As of 30 June 2017, net asset value per share was HK$10.2 and cash and bank deposits amounted to HK$8,943 million.
- The Group further enhanced its funding capability and lowered its financing cost by successfully securing a HK$8 billion 5-year loan facility.
- During the period, the Group participated in joint ventures to acquire two pieces of land in Nanjing and Hong Kong with a land premium of RMB1,020 million and HK$8,330 million respectively. 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 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	3	**4,917,951**	5,535,928
Cost of sales		**(1,733,783)**	(3,013,651)
Gross profit		**3,184,168**	2,522,277
Other operating income		**106,021**	59,951
Other net (losses)/gains		**(3,313)**	826
Fair value gain on transfer of development properties to investment properties	4	**973,803**	91,762
Change in fair value of investment properties		**137,417**	26,530
Other operating expenses		**(245,574)**	(253,921)
Administrative expenses		**(245,772)**	(234,309)
Finance costs		**(9,308)**	(8,441)
Share of profits of joint ventures		**79,445**	23,553
Share of profits of associated companies		**51,439**	683,109
Profit before taxation	5	**4,028,326**	2,911,337
Taxation charge	6	**(1,821,944)**	(989,872)
Profit for the period		**2,206,382**	1,921,465
Attributable to:			
Equity holders of the Company		**2,162,206**	1,897,363
Non-controlling interests		**44,176**	24,102
		2,206,382	1,921,465
		HK cents	HK cents
Earnings per share	7		
Basic		**73.06**	66.82
Diluted		**72.81**	66.72

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**2,206,382**	1,921,465
Other comprehensive income/(loss):		
Items that may be reclassified to profit and loss:		
Change in fair value of non-current investment	**2,209,783**	(235,602)
Exchange differences arising from translation	**522,702**	(334,937)
Other comprehensive income/(loss) for the period	**2,732,485**	(570,539)
Total comprehensive income for the period	**4,938,867**	1,350,926
Total comprehensive income attributable to:		
Equity holders of the Company	**4,862,214**	1,347,913
Non-controlling interests	**76,653**	3,013
	4,938,867	1,350,926

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2017

	Note	(unaudited) 30 June 2017 *HK$'000*	(audited) 31 December 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**443,444**	446,360
Investment properties		**10,502,370**	8,291,075
Leasehold land and land use rights		**14,445**	14,309
Joint ventures		**1,841,652**	976,552
Associated companies		**1,089,676**	1,278,491
Non-current investment		**7,701,744**	5,491,961
Deferred taxation assets		**88,539**	79,431
Other non-current assets		**187,320**	176,519
		21,869,190	16,754,698
Current assets			
Development properties		**29,248,540**	23,677,327
Inventories		**3,238**	2,055
Amounts due from associated companies		**3,674**	21,699
Debtors and prepayments	9	**1,009,085**	1,189,389
Land and tender deposits		**750,500**	1,185,500
Derivative financial instruments		**118**	938
Financial assets at fair value through profit or loss		**24,426**	142,567
Taxes recoverable		**359,770**	250,252
Cash and bank deposits		**8,943,126**	7,248,193
		40,342,477	33,717,920
Total assets		**62,211,667**	50,472,618
EQUITY			
Share capital		**296,161**	295,674
Reserves		**29,941,449**	25,064,023
Shareholders' funds		**30,237,610**	25,359,697
Non-controlling interests		**1,540,156**	1,766,770
Total equity		**31,777,766**	27,126,467
LIABILITIES			
Non-current liabilities			
Borrowings		**12,535,652**	6,934,991
Guaranteed notes		**998,363**	997,843
Derivative financial instruments		**5,249**	986
Deferred taxation liabilities		**1,857,775**	1,574,946
		15,397,039	9,508,766
Current liabilities			
Amounts due to joint ventures		**596,762**	559,343
Amounts due to associated companies		**357,339**	218,034
Creditors and accruals	10	**1,815,362**	1,698,815
Pre-sales deposits		**8,241,029**	5,798,541
Current portion of borrowings		**300,000**	1,366,069
Current portion of guaranteed notes		**149,969**	1,713,719
Derivative financial instruments		**-**	5,004
Taxes payable		**3,576,401**	2,477,860
		15,036,862	13,837,385
Total liabilities		**30,433,901**	23,346,151
Total equity and liabilities		**62,211,667**	50,472,618
Net current assets		**25,305,615**	19,880,535
Total assets less current liabilities		**47,174,805**	36,635,233

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2017 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 2016 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 2016, except as stated below.

The adoption of revised HKFRSs

In 2017, the Group adopted the following amendments to standards, which are relevant to its operations.

HKAS 7 (Amendment)	Statement of Cash Flows – Disclosure Initiative
HKAS 12 (Amendment)	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

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 or any substantial changes in the Group's accounting policies and presentation of the interim financial information.

Amendment to standards that is not yet effective but has been early adopted

The following amendment to standards was early adopted by the Group from 1 January 2017:

HKAS 40 (Amendment)	Investment Property - Transfers of Investment Property

The amendment to HKAS 40 clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets the definition of investment property; and (b) supporting evidence that a change in use has occurred. The amendment also re-characterised the list of circumstances in the standard as a non-exhaustive list of examples. The Group considers that the revised standard better reflects the intended use of the properties of the Group, and has early adopted the amended standard. There was no significant impact to the Group as a result of the adoption of the amended standard for the current period.

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 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
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	No mandatory effective date
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group will adopt the above new standards and amendments to standards as and when they become effective. The Group is currently assessing the potential impact of these new standards and amendments to standards but expects their adoption will not have a significant effect on the Group's consolidated financial statements except as set out below.

HKFRS 15 "Revenue from contracts with customers" (effective for accounting periods beginning on or after 1 January 2018), establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The core principle in that framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard may change the timing of revenue recognition on certain property sales. As at the reporting date, the Group is not yet in a position to estimate the impact of HKFRS 15 on the Group's consolidated financial statements. The Group will make more detailed assessments of the impact during the second half of the year.

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, fair value gain on transfer of development properties to investment properties 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, land and tender deposits, 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	**Mainland China**	**Others**			
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Six months ended 30 June 2017						
Revenue	**64,970**	**4,593,636**	**-**	**209,982**	**49,363**	**4,917,951**
Adjusted EBITDA	**39,458**	**2,847,930**	**(1,467)**	**171,162**	**(103,174)**	**2,953,909**
Other income and expenses/losses, net						**(142,866)**
Depreciation and amortisation						**(15,513)**
Fair value gain on transfer of development properties to investment properties				**973,803**		**973,803**
Change in fair value of investment properties				**137,417**		**137,417**
Finance costs						**(9,308)**
Share of profits/(losses) of joint ventures	**79,514**	**(69)**				**79,445**
Share of profits of associated companies	**51,439**					**51,439**
Profit before taxation						**4,028,326**
Taxation charge						**(1,821,944)**
Profit for the period						**2,206,382**
As at 30 June 2017						
Segment assets	**21,455,201**	**18,449,921**	**321,819**	**10,790,377**	**-**	**51,017,318**
Other assets	**-**	**-**	**-**	**-**	**8,259,347**	**8,259,347**
Joint ventures	**1,428,128**	**413,524**	**-**	**-**	**-**	**1,841,652**
Associated companies	**1,093,350**	**-**	**-**	**-**	**-**	**1,093,350**
Total assets	**23,976,679**	**18,863,445**	**321,819**	**10,790,377**	**8,259,347**	**62,211,667**
Total liabilities	**15,461,394**	**12,798,813**	**558**	**2,129,596**	**43,540**	**30,433,901**
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						(193,144)
Depreciation and amortisation						(20,172)
Fair value gain on transfer of development properties to investment properties				91,762		91,762
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 31 December 2016						
Segment assets	12,904,634	20,293,040	304,798	8,510,669	-	42,013,141
Other assets	-	-	-	-	6,182,735	6,182,735
Joint ventures	976,116	436	-	-	-	976,552
Associated companies	1,300,190	-	-	-	-	1,300,190
Total assets	15,180,940	20,293,476	304,798	8,510,669	6,182,735	50,472,618
Total liabilities	7,997,144	13,441,353	657	1,860,021	46,976	23,346,151

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 2017						
Additions to non-current assets	**-**	**1,055**	**1**	**-**	**781**	**1,837**
Six months ended 30 June 2016						
Additions to non-current assets	-	520	-	-	919	1,439

Geographical segment information

The Group operates in three (2016: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the six months ended 30 June 2017 and 2016 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets and other non-current assets) as at 30 June 2017 and 31 December 2016 by geographical area are as follows:

Revenue

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**96,899**	3,174,360
Mainland China	**4,821,052**	2,361,568
Singapore	**-**	-
	4,917,951	5,535,928

Non-current assets

	30 June 2017 *HK$'000*	31December 2016 *HK$'000*
Hong Kong	**2,717,686**	2,005,077
Mainland China	**8,242,395**	6,746,487
Singapore	**178**	180
	10,960,259	8,751,744

3. Revenue

	2017 *HK$'000*	2016 *HK$'000*
Sales of properties	**4,658,606**	5,300,668
Rental income	**209,982**	187,024
Hotel operations	**49,363**	48,236
	4,917,951	5,535,928

4. Fair value gain on transfer of development properties to investment properties

The amount recognised during the period represented fair value gain on transfer of certain development properties to investment properties in pursuance of the Group's strategy to increase the recurring income.

5. Profit before taxation

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income	**42,341**	24,897
Dividend income from non-current investment	**42,246**	24,373
Net fair value gains on derivative financial instruments	**-**	2,745
Net fair value gains on financial assets at fair value through profit or loss	**4,164**	-
Net exchange gains	**1,098**	-
and after charging:		
Cost of properties sold	**1,691,476**	2,980,370
Selling and marketing expenses	**235,884**	249,270
Depreciation (net of capitalisation)	**15,454**	20,109
Amortisation for leasehold land and land use rights	**59**	63
Operating lease rental for land and buildings	**3,296**	4,214
Loss on disposal of property, plant and equipment	**17**	72
Net loss on settlement of derivative financial instruments	**7,759**	-
Net fair value losses on derivative financial instruments	**799**	-
Net exchange losses	**-**	1,847

6. Taxation charge

	2017	2016
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**7,980**	87,585
Mainland China		
- Income tax	**463,989**	193,779
- Land appreciation tax	**1,119,270**	579,651
Overseas	**66**	-
(Over)/under-provision in previous years	**(47)**	3,855
Deferred	**230,686**	125,002
	1,821,944	989,872

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates. There is no income tax provided on other comprehensive income.

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

7. Earnings per share

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

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**2,162,206**	1,897,363

	Number of shares	
	2017	2016
Weighted average number of shares for calculating basic earnings per share	**2,959,511,000**	2,839,697,000
Effect of dilutive potential ordinary shares – Share options	**10,265,000**	4,149,000
Weighted average number of shares for calculating diluted earnings per share	**2,969,776,000**	2,843,846,000

8. Dividend

The Board has declared an interim scrip dividend (with a cash option) of HK$151,032,000 (being 5 HK cents per share) (2016: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK$146,376,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

9. Debtors and prepayments

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Trade debtors, net of provision	**596,811**	623,531
Other debtors, net of provision	**170,846**	186,942
Prepayments and other deposits	**207,811**	175,383
Prepaid sales taxes	**33,617**	203,533
	1,009,085	1,189,389

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 2017	31 December 2016
	HK$'000	*HK$'000*
Within one month	**531,130**	487,811
Two to three months	**398**	84,045
Four to six months	**24**	39,980
Over six months	**65,259**	11,695
	596,811	623,531

10. Creditors and accruals

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Trade creditors	**1,399,039**	1,236,333
Other creditors	**63,589**	61,298
Amounts due to non-controlling interests	**-**	5,157
Accrued operating expenses	**193,130**	247,069
Rental and other deposits received	**159,604**	148,958
	1,815,362	1,698,815

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Within one month	**1,394,602**	1,230,376
Two to three months	**2,655**	3,125
Four to six months	**27**	401
Over six months	**1,755**	2,431
	1,399,039	1,236,333

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in the first half of 2017 amounted to approximately HK$10.3 billion, mainly derived from K. City, The Spectra and other joint venture projects in Hong Kong, Grand Summit in Shanghai and J Metropolis in Guangzhou. Approximately HK$1.5 billion of the above attributable contracted sales of the Group was recognised as revenue in the accounts for the six months ended 30 June 2017. The remaining approximately HK$8.8 billion is expected to be recognized as revenue in the second half of 2017 and the year ending 2018.

The revenue of the Group for the six months ended 30 June 2017 was HK$4,918 million, a total primarily derived from the property sales of The Palace Phase II and Grand Summit in Shanghai, J Metropolis and Le Palais in Guangzhou, Silver Cove in Dongguan and the rental income of the 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$289 million) was HK$5,207 million for the six months ended 30 June 2017.

Profit attributable to equity holders of the Company was HK$2,162 million, while underlying profit of the Group (before fair value gain of investment properties) was HK$1,293 million for the six months ended 30 June 2017.

The total comprehensive income attributable to equity holders of the Company was HK$4,862 million for the six months ended 30 June 2017 after accounting for the increase in fair value 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

Following the increase of ad valorem stamp duty to 15% imposed in late last year, the transaction volume of the residential market initially dropped but subsequently picked up from February 2017. The primary market remained active during this period due to strong demand from end-users. In addition, developers continued to offer various beneficiary packages to lure buyers, while an active land sale market also helped to boost confidence. Despite the interest rate hikes in the United States ("US") and the latest restrictive measures introduced by the Hong Kong government, home prices continued to stay firm with an upward trend.

K. City was launched in February and received an overwhelming market response. Over 90% of its units were sold as of period end. The Group also continued to market the remaining units of joint venture projects Marinella, Providence Bay, Providence Peak and Mayfair By the Sea I. The occupation permit for The Spectra was just obtained in early August, consequently the pre-sale results for the project will be recognised in the second half of 2017.

In January, the Group paid off the land premium of HK$5,869 million for a new site at Kai Tak acquired last December. Planning and design work is currently in progress. In May the Group, together with two property developers, successfully won development rights for a residential project at Kam Sheung Road Station for HK$8,330 million.

The Group's leasing performance continued to be satisfactory during the period. Our premium dining and shopping arcade J SENSES in Wan Chai maintained almost full occupancy and recorded satisfactory rental income. On the other hand, the remaining apartments of Chantilly were transferred to investment properties in accordance with the Group's strategy to increase recurring income.

Property Development and Investment in Mainland China

After a series of tightening policies implemented last year, the residential market in Mainland China showed signs of cooling as the restrictions resulted in a significant reduction in transaction volumes, containing the price surge. The property market generally remained subdued during the period as the government continued its stringent cooling measures and further imposed various restrictive measures and tighter credit policies. However, home prices remained stable in Tier 1 and 2 cities with strong demand from end-users and a more stable and sustainable economy. On the other hand, home prices in some lower-tier cities continue to rise due to less restrictive policies.

During the period, the Group continued to market the remaining units of Grand Summit and The Palace in Shanghai, J Metropolis and J Wings in Guangzhou, Silver Cove in Dongguan and The Peak in Nanjing, with good responses. With the completion of J Metropolis Phase III and The Palace Phase II, the pre-sale results were recognised in the first half of 2017.

In January, the Group participated in a joint venture with two Chinese property developers to acquire a new site in Nanjing for a total land premium of RMB1,020 million, to be developed into residential buildings.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of over 97% during the period. In addition, two towers of The Palace Phase II with approximately 15,000 square metres and certain units of Grand Summit were transferred to investment properties for rental.

Investment in GEG

The Group maintains a non-current investment of 162 million shares, or an approximate 3.8% interest, in GEG carried at fair market value. As of 30 June 2017, the share price of GEG was HK$47.4 compared with HK$33.8 as of 31 December 2016. The change in fair value of approximately HK$2,210 million was directly recorded as an increase in reserve.

OUTLOOK AND STRATEGY

Global and Asian economies

In May 2017, Emmanuel Macron, a pro-European Union ("EU") centrist, was elected French President which helped to ease market concerns over the possible breakup of the EU. In June 2017, British Prime Minister Theresa May managed to stay in office after she called an early general election, before the first detailed negotiations on Brexit then commenced with the EU. In the US, while the new government headed by President Donald Trump struggled to implement policies promised during his election campaign, in March and June 2017 respectively the Federal Reserve raised the federal fund rate by 0.25% following an interest rate hike in December 2016, within the market expectation.

The near-term impact of US interest rate hikes on China and Hong Kong looks limited, while the RMB became stronger on China's improving economic growth and slowing capital outflow. The RMB appreciated against the USD by 2.4% in the period.

US GDP grew 2.6% in the second quarter of 2017, compared to 1.2% for the first quarter. China's GDP grew 6.9% in the first half, a figure which exceeded the government target of 6.5% for the full year. In Hong Kong, GDP grew 3.8% and 4.3% respectively for the second and first quarters, exceeding the government's full year forecast of 2-3% which was revised upward for 2017 to 3-4%.

The property market in Hong Kong and Mainland China

The Hong Kong government projected that approximately 100,000 residential units will be made available to the market in the next 4 to 5 years, reaching a new high. However, with the abundant liquidity, low interest rate environment and a genuinely strong underlying demand, the residential market is expected to remain stable.

On the other hand, it is not expected that the restrictive government measures in Mainland China will be relieved soon. Transaction volume in Mainland China, particularly for Tier 1 and 2 cities, will remain relatively low while home prices will remain stable, supported by the genuine underlying demand which is being suppressed by these measures. The situation is not expected to turn around soon, but we remain conservatively optimistic on the Mainland China property market in the medium and longer term, particularly those cities where we have operations.

Project sales and progress

In Hong Kong, construction works for K. City progressed as scheduled while the Group will continue to market the project's remaining units. Pre-sales are expected to be recognised as revenue in 2018. Construction for the project on Tai Po Town Lot No. 226 already commenced and progressed as scheduled. With more than 95% of its units sold up to 30 June 2017, revenue for The Spectra will be accounted for in the second half of 2017 as the occupation permit was issued in early August.

In Mainland China, the Group will continue to market new batches of units in The Peak in Nanjing as its construction has progressed as scheduled. Plans are underway to launch Royal Creek, a 33% owned new project in Nanjing that the Group participated in January 2017, for sale in the last quarter of 2017. The Group will continue to market its remaining units in various projects in Shanghai, Guangzhou and Dongguan. The Group also plans to launch the following new projects: The Palace Phase III, Azure and Windermere in Shanghai, J Metroplis Phase IV in Guangzhou and Silver Cove Phase III in Dongguan, subject to market conditions.

Land bank replenishment

While the Group has secured four new land parcels in Hong Kong and Mainland China in the last 12 months, it will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities.

Recurring income

In Shanghai, following the completion of The Palace Phase II in the period under review, two towers of approximately 15,000 square meters were converted into serviced apartments under the brand name "Stanford Residences Xuhui". Certain units of Grand Summit are also planned for lease. In Hong Kong, the remaining apartments of Chantilly were transferred to investment properties for rental. As a result, the Group's investment property portfolio was enlarged from approximately

130,000 square meters on 31 December 2016 to approximately 150,000 square meters as of 30 June 2017. With more serviced apartments in Shanghai and J-Town in Dongguan coming in the second half, the commencement of construction of a new office building at Suhe Creek, Jingan, Shanghai, as well as the office and commercial portions of our projects under development to be held for rental, we are on track to enlarge our portfolio for recurring income.

Dividend derived from our approximately 3.8% interest in GEG remains a source of our recurring income.

Conclusion
Major developed countries, Mainland China and Hong Kong generally performed well in the first half while their economies are expected to remain stable in the second half although there are still challenges ahead: restrictive property measures/policies by the Chinese and Hong Kong governments and the potential catching up of US interest rate hikes by Hong Kong. Nevertheless, we are cautiously optimistic about the property markets in Hong Kong and Mainland China, will develop our projects according to their schedules, launch the projects in our pipeline as well as 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 2017, total funds employed (being total equity and total borrowings and guaranteed notes) were HK$46 billion (31 December 2016: HK$38 billion). The number of issued shares of the Company increased to 2,961,614,603 as of 30 June 2017 (31 December 2016: 2,956,748,603) 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 2017, the Group's borrowings of bank loans and guaranteed notes were HK$13,984 million, with a maturity profile spread over a period of up to five years, with 3% repayable within one year and the remaining 97% repayable over one to five years. The average interest rate for the Group during the review period was approximately 2.1%.

In addition, the Group had available undrawn facilities totalling HK$5,741 million, comprising HK$5,060 million for working capital and HK$681 million for project facility purposes.

As of 30 June 2017, cash and bank deposits stood at HK$8,943 million, with approximately 52% 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 16% as of 30 June 2017 (31 December 2016: 14%).

A 5-year revolving credit and term loan totalling HK$8 billion was executed in January 2017 for refinancing at lower cost and as an additional available funding source, to enhance the Group's liquidity.

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to 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$13,984 million as of 30 June 2017, approximately 98% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 86% 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 2017, 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$5,135 million (31 December 2016: HK$12,284 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2017, 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$18,101 million (31 December 2016: HK$18,513 million) and HK$303 million (31 December 2016: HK$117 million) respectively. Of these, facilities totalling HK$12,370 million (31 December 2016: HK$7,517 million) and HK$163 million (31 December 2016: HK$117 million) respectively have been utilised.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK$1,669 million (31 December 2016: HK$1,473 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the Hong Kong government with respect to the performance obligation of an investee company under a contract with the Hong Kong government. On 31 July 2017, the works under the contract was completed and the site of the contract was returned to the Hong Kong 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 2017, 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***"), 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 2016 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 2017 and reviewed the Company's accounting principles and practices and discussed audit strategy, internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2017 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 2017 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 2017.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with a cash option) for the six months ended 30 June 2017 of 5 HK cents per share, totaling HK$151,032,000, payable on 20 October 2017 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2017 (2016: an interim scrip dividend (with a cash option) of 5 HK cents per share, totaling HK$146,376,000).

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 2017. 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 2017 to 19 September 2017, 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 2017.

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 2017 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 2017.

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, 23 August 2017