

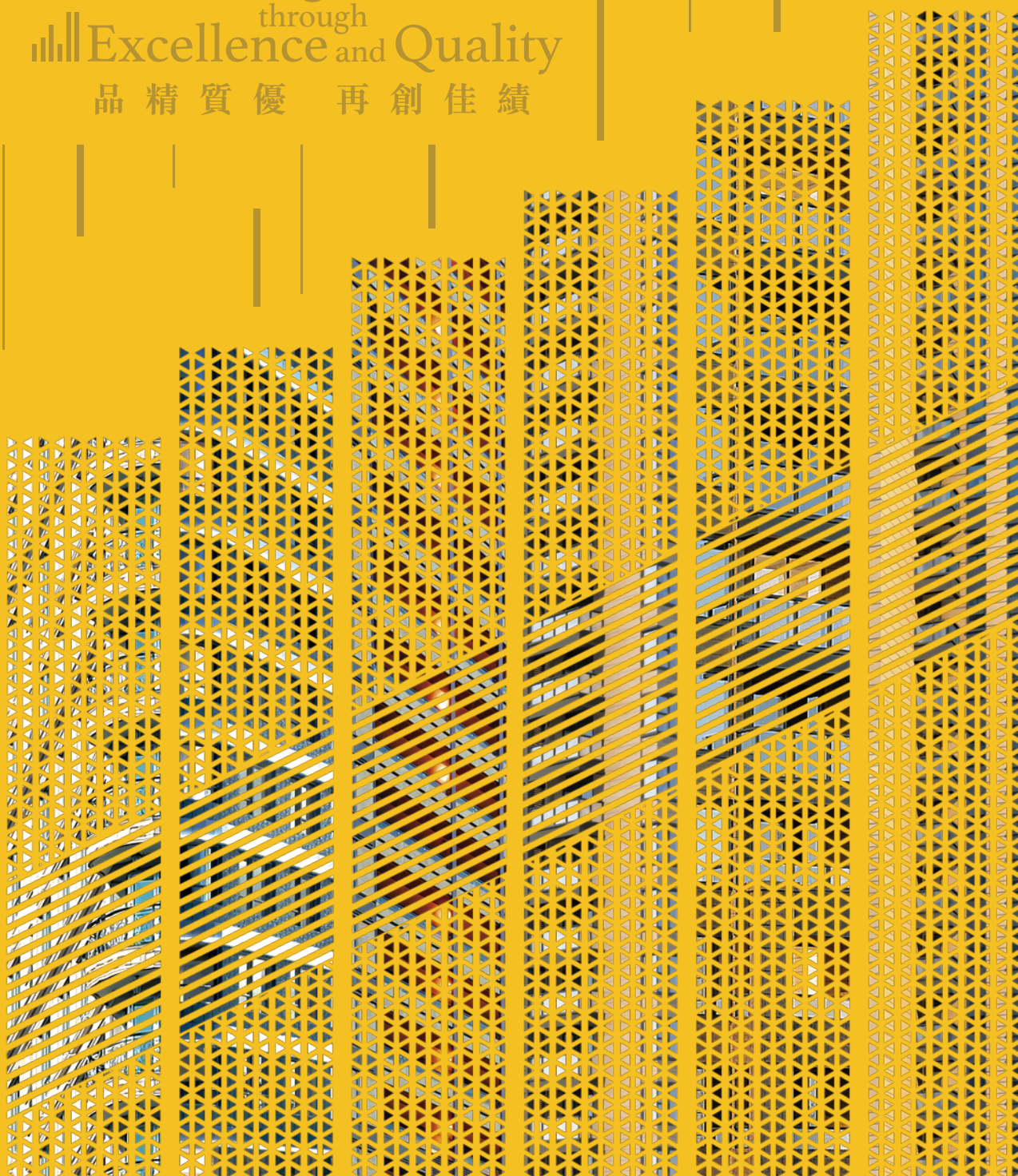
KW 嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

Stock code 股份代號 00173

INTERIM REPORT 2017 中期報告

Sustaining Success
through
Excellence and Quality
品精質優 再創佳績



OUR MISSION

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.



企業使命

秉承以客為本及追求卓越之精神，不斷透過研究、設計及創造價值，恪守不屈不撓、群策群力及具遠見之經營理念，為客戶提供優質產品及服務，並為股東帶來理想投資回報。

CORPORATE PROFILE

K. Wah International Holdings Limited (“KWIH” or “the Group”, stock code: 00173) is the listed property arm of K. Wah Group. With a strong foothold established in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of residential developments, Grade A office towers, hotel, serviced apartments and retail complexes are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Sharing the common vision of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers’ needs and creating added value in the projects we undertake as a premiere brand.

Taking pride in our track record and strong financial capability, guided by the spirit of prudence and excellence, we will continue to adopt a progressive strategy with a disciplined approach in land acquisition, in strive for setting ever higher standards of quality living spaces and delivering long term shareholder value.



公司簡介

嘉華國際集團有限公司(「嘉華國際」或「集團」；股份代號：00173)為嘉華集團旗下之房地產業務旗艦，創立並紮根於香港，至今已發展成以香港、長三角及珠三角地區為策略據點之綜合發展商及投資者，所開發之項目均以品質優見稱。

嘉華國際擅長於開發精品物業，由旗下專業團隊所拓展之項目涵蓋住宅、甲級商廈、酒店、服務式公寓及特色商舖，物業皆匠心獨運，揉合特色設計、精湛技術、頂尖設備及創新元素於一身，多年來物業質素備受市場認同，建築及設計屢獲國際殊榮。

集團以締造理想和諧的生活國度為發展宗旨，因地制宜，不僅用心傳承「嘉華」的優質品牌內涵，更以臻善創新的意念打造別樹一幟的物業，塑造現代生活新標準，切合用家需要的同時，亦為物業注入長遠價值。

憑藉資深經驗及雄厚財政實力，嘉華國際將繼續以審慎進取的策略，物色具潛力的土地，竭誠為客戶打造優質的生活空間，為股東帶來長遠而持續的回報。

CONTENTS

- | | | | |
|---|--|----|--|
| 2 | Corporate Information | 10 | Condensed Consolidated Statement of Comprehensive Income (unaudited) |
| 3 | Interim Results Highlights and Interim Dividend | 11 | Condensed Consolidated Balance Sheet |
| 4 | Management Discussion and Analysis | 12 | Condensed Consolidated Cash Flow Statement (unaudited) |
| 8 | Report on Review of Interim Financial Information | 13 | Condensed Consolidated Statement of Changes in Equity (unaudited) |
| 9 | Condensed Consolidated Profit and Loss Statement (unaudited) | 14 | Notes to the Interim Financial Information |
| | | 26 | Other Information |



THE PALACE
SHANGHAI

Corporate Information

CHAIRMAN & MANAGING DIRECTOR

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, *GBS, LLD, JP*

Dr. William Yip Shue Lam, *LLD*

Mr. Au Man Chu

Mr. Wong Kwai Lam

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*

Mr. Au Man Chu

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

Mr. Wong Kwai Lam

NOMINATION COMMITTEE

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA (Chairman)*

Dr. William Yip Shue Lam, *LLD*

Mr. Wong Kwai Lam

COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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WEBSITE ADDRESS

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SHARE LISTING

The Stock Exchange of Hong Kong Limited
("HK Stock Exchange")

STOCK CODE

HK Stock Exchange : 00173
Bloomberg : 173 HK
Reuters : 0173.HK

Interim Results Highlights and Interim Dividend

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.

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 Stock Exchange of Hong Kong Limited 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.

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 recognised 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.

Management Discussion and Analysis

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 Metropolis 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

As of 30 June 2017, the Group, excluding its associated companies and joint ventures, employs 850 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$195 million for the period under review.

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.

Report on Review of Interim Financial Information



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
K. WAH INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 25, which comprises the condensed consolidated balance sheet of K. Wah International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related condensed consolidated profit and loss statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2017

Condensed Consolidated Profit and Loss Statement (unaudited)

	Note	For the six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	5	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	6	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	7	4,028,326	2,911,337
Taxation charge	8	(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
Earnings per share	9	HK cents	HK cents
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 HK\$'000	2016 HK\$'000
Profit for the period	2,206,382	1,921,465
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit and loss:</i>		
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	12	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	13	8,943,126	7,248,193
		40,342,477	33,717,920
Total assets		62,211,667	50,472,618
EQUITY			
Share capital	14	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	15	12,535,652	6,934,991
Guaranteed notes	16	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	17	1,815,362	1,698,815
Pre-sales deposits		8,241,029	5,798,541
Current portion of borrowings	15	300,000	1,366,069
Current portion of guaranteed notes	16	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

Condensed Consolidated Cash Flow Statement (unaudited)

	For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Net cash (used in)/generated from operating activities	(903,253)	2,589,804
Cash flows from investing activities		
Net changes in balances with joint ventures	60,818	4,138
Net changes in balances with associated companies	122,664	125,252
Increase in investments in joint ventures	(809,156)	—
Decrease/(increase) in financial assets at fair value through profit or loss	124,731	(327,600)
Dividends received from associated companies and joint ventures	274,920	80
Decrease/(increase) in bank deposits	39,687	(261,210)
Others	71,768	74,051
Net cash used in investing activities	(114,568)	(385,289)
Cash flows from financing activities		
New bank loans	14,352,200	2,799,107
Repayment of bank loans and guaranteed notes	(11,471,902)	(2,115,915)
Capital contribution from non-controlling interests	52,602	83,770
Repayment of capital to non-controlling interests	(355,869)	—
Issues of new shares	15,699	424
Net cash from financing activities	2,592,730	767,386
Net increase in cash and cash equivalents	1,574,909	2,971,901
Cash and cash equivalents at beginning of the period	6,616,555	4,301,234
Changes in exchange rates	140,993	(76,864)
Cash and cash equivalents at end of the period	8,332,457	7,196,271

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2017

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2017	295,674	6,234,108	18,829,915	25,359,697	1,766,770	27,126,467
Comprehensive income						
Profit for the period	—	—	2,162,206	2,162,206	44,176	2,206,382
Other comprehensive income						
Other comprehensive income for the period	—	2,700,008	—	2,700,008	32,477	2,732,485
Transactions with equity holders						
Issue of shares upon exercise of share options	487	15,212	—	15,699	—	15,699
Lapse of share options	—	(95)	95	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	52,602	52,602
Repayment of capital to non-controlling interests	—	—	—	—	(355,869)	(355,869)
At 30 June 2017	296,161	8,949,233	20,992,216	30,237,610	1,540,156	31,777,766
At 1 January 2016	283,959	5,804,068	15,737,146	21,825,173	1,511,587	23,336,760
Comprehensive income						
Profit for the period	—	—	1,897,363	1,897,363	24,102	1,921,465
Other comprehensive loss						
Other comprehensive loss for the period	—	(549,450)	—	(549,450)	(21,089)	(570,539)
Transactions with equity holders						
Issue of shares upon exercise of shares options	20	404	—	424	—	424
Fair value of share options	—	4,075	—	4,075	—	4,075
Lapse of share options	—	(283)	283	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	83,770	83,770
At 30 June 2016	283,979	5,258,814	17,634,792	23,177,585	1,598,370	24,775,955

Notes to the Interim Financial Information

1 GENERAL INFORMATION

K. Wah International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong, Mainland China and Singapore.

This interim financial information is presented in Hong Kong dollars, unless otherwise stated. This interim financial information was approved for issue by the Board of Directors on 23 August 2017.

This interim financial information has not been audited.

2 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
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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.

2 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.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no material changes in the Group's financial risk management structure, policies and procedures since year ended 31 December 2016.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Estimates of fair value of financial instruments

In 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The disclosure of fair value measurements of financial instruments carried at fair value by level in the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 30 June 2017 and 31 December 2016, the Group had no Level 3 financial instruments, the only Level 1 financial instrument that are measured at fair value represented the non-current investment and Level 2 financial instruments that are measured at fair value represented the structured bank deposits, financial assets at fair value through profit or loss and derivative financial instruments.

In 2017, there were no transfers of financial assets or financial liabilities between the levels in the hierarchy.

In 2017, there were no reclassifications of financial assets.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets that are not traded in an active market, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date.

4 SEGMENT INFORMATION

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

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net gains/losses, 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.

4 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
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

Notes to the Interim Financial Information

4 SEGMENT INFORMATION (cont'd)**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	31 December 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

5 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

6 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.

7 PROFIT BEFORE TAXATION

	2017 HK\$'000	2016 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 amount capitalised under properties under development of HK\$96,000 (2016: HK\$144,000))	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

8 TAXATION CHARGE

	2017 HK\$'000	2016 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.

Notes to the Interim Financial Information

9 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

10 DIVIDEND

The Board of Directors 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.

11 CAPITAL EXPENDITURE

For the six months ended 30 June 2017, the Group incurred HK\$1.8 million (2016: HK\$1.4 million) on property, plant and equipment.

12 DEBTORS AND PREPAYMENTS

	30 June	31 December
	2017	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.

12 DEBTORS AND PREPAYMENTS (cont'd)

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 HK\$'000	31 December 2016 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

13 CASH AND BANK DEPOSITS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Short-term bank deposits maturing after three months	—	72,666
Structured bank deposits	610,669	558,972
	610,669	631,638
Cash at bank and in hand	5,312,108	4,118,234
Short-term and other bank deposits	3,020,349	2,498,321
	8,332,457	6,616,555
Cash and cash equivalents	8,332,457	6,616,555
Cash and bank deposits	8,943,126	7,248,193

14 SHARE CAPITAL

	2017		2016	
	Shares of HK\$0.10 each Number of shares	HK\$'000	Shares of HK\$0.10 each Number of shares	HK\$'000
Authorised:				
At 1 January and 30 June	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	2,956,748,603	295,674	2,839,597,270	283,959
Share options exercised	4,866,000	487	200,000	20
At 30 June	2,961,614,603	296,161	2,839,797,270	283,979

Notes to the Interim Financial Information

14 SHARE CAPITAL (cont'd)

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors and employees of the Company and its affiliates and other qualifying grantees. During the period, share options to subscribe for 4,866,000 shares (2016: 200,000 shares) were exercised.

Share options outstanding at the end of the period have the following exercise periods and exercise prices per share:

Exercise period	Exercise price HK\$	Number of share options	
		30 June 2017	31 December 2016
27 November 2008 to 26 November 2017	4.636	4,944,000	5,159,000
27 November 2008 to 26 November 2017	3.882	1,348,000	1,355,000
17 January 2013 to 16 January 2018	2.120	8,734,000	8,934,000
21 January 2014 to 20 January 2019	4.610	13,608,000	14,248,000
30 September 2015 to 29 September 2020	4.500	14,790,000	15,230,000
21 January 2017 to 20 January 2022	2.796	12,590,000	16,084,000
		56,014,000	61,010,000

15 BORROWINGS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Long-term bank loans		
Secured	292,660	2,217,148
Unsecured	12,242,992	5,783,912
	12,535,652	8,001,060
Short-term bank loans		
Secured	300,000	300,000
	12,835,652	8,301,060
Current portion included in current liabilities	(300,000)	(1,366,069)
	12,535,652	6,934,991

16 GUARANTEED NOTES

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Guaranteed notes	1,148,332	2,711,562
Current portion included in current liabilities	(149,969)	(1,713,719)
	998,363	997,843

K. Wah International Financial Services Limited ("KWIFS"), a wholly-owned subsidiary of the Company, issued guaranteed notes in the aggregate principal amount of US\$200 million at 100% of face value in 2012. The notes are guaranteed by the Company and carry a coupon rate of 5.375% per annum and have a maturity of 5 years. The notes are listed on The Stock Exchange of Hong Kong Limited. During the period, the notes were fully repaid. The fair value of the notes as at 31 December 2016 was HK\$1,489 million.

KWIFS issued guaranteed notes of HK\$150 million at 100% of face value through private placement in 2012. The notes are guaranteed by the Company and carry a coupon rate of 3-month HIBOR+2.75% per annum and have a maturity of 5 years. The carrying amount approximates its fair value.

KWIFS issued additional guaranteed notes of HK\$1 billion at 100% of face value through private placement in 2014. The notes are guaranteed by the Company and carry a coupon rate of 4.25% to 4.73% per annum and have a maturity of 7 years. The fair value of these guaranteed notes as at 30 June 2017 was HK\$1,012 million (31 December 2016: HK\$1,013 million).

17 CREDITORS AND ACCRUALS

	30 June 2017 HK\$'000	31 December 2016 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

Notes to the Interim Financial Information

17 CREDITORS AND ACCRUALS (cont'd)

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

	30 June 2017 HK\$'000	31 December 2016 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 6 months	1,755	2,431
	1,399,039	1,236,333

18 COMMITMENTS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Contracted but not provided for commitments in respect of		
— property investment	—	—
— property development	3,675,152	10,239,745
— joint venture	2,386,299	5,618
	6,061,451	10,245,363

19 GUARANTEES

As at 30 June 2017, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	30 June 2017		31 December 2016	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
— joint ventures	302,500	162,500	117,000	117,000
— properties buyers	1,668,666	1,668,666	1,473,448	1,473,448
	1,971,166	1,831,166	1,590,448	1,590,448

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Apart from the above, the Company has executed a guarantee in favour of the Hong Kong government in respect of 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.

20 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the interim financial information which in the opinion of the Directors, were carried out in the normal course of business during the period:

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2017 HK\$'000	2016 HK\$'000
Fees, salaries and other emoluments	16,059	15,358
Discretionary bonuses	9,719	3,504
Pension costs — defined contribution plans	1,546	1,488
Share option	—	2,328
	27,324	22,678

- (b) Rental income from an investee company amounted to HK\$691,000 (2016: HK\$719,000) based on the terms of rental agreement between the parties.
- (c) Rental expenses to a related company amounted to HK\$6,693,000 (2016: HK\$9,433,000) based on the terms of master lease agreement between the parties.
- (d) As at 30 June 2017 and 31 December 2016, the Company has executed a guarantee in favour of the Hong Kong government in respect of the contract for quarrying rights and rehabilitation of the quarry of Tai Sheung Tok Anderson Road of an investee company. On 31 July 2017, the works under the contract was completed and the site of the contract was returned to the Hong Kong government.
- (e) On 15 January 2016, a subsidiary of the Company entered into four sales and purchase agreements with Dr. Lui Che-Woo, being the Chairman and Managing Director of the Company and also a substantial shareholder of the Company, in respect of four residential units at a total consideration of approximately HK\$13,883,000. The transactions were based on prevailing market prices and completed in January 2017.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As of 30 June 2017, the interests and short positions of each director of the Company ("Director") in the ordinary shares of the Company ("Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities ("Listing Rules") on the HK Stock Exchange, were as follows:

(a) Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	25,919,571	8,317,120 ⁽¹⁾	298,553,900 ⁽²⁾	1,504,617,167 ⁽³⁾	1,837,407,758	62.04
Francis Lui Yiu Tung	10,038,035	—	—	1,504,617,167 ⁽³⁾	1,514,655,202	51.14
Paddy Tang Lui Wai Yu	24,727,605	—	—	1,504,617,167 ⁽³⁾	1,529,344,772	51.64
Alexander Lui Yiu Wah	16,481,428	—	4,005,183 ⁽⁴⁾	1,504,617,167 ⁽³⁾	1,525,103,778	51.50
Moses Cheng Mo Chi	720,000	—	—	—	720,000	0.02
Robin Chan Yau Hing	2,502,069	—	—	—	2,502,069	0.08
William Yip Shue Lam	732,726	—	—	—	732,726	0.02
Au Man Chu	727,568	—	—	—	727,568	0.02
Wong Kwai Lam	920,000	—	—	—	920,000	0.03

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the discretionary beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

(b) Underlying Shares — Share Options

Share options, which are unlisted and physically settled, to subscribe for Shares were beneficially held by certain Directors.

Particulars of the movement of the options held by each of the Directors, the employees of the Company and its affiliates and other qualifying grantees in aggregate under the Share Option Scheme of the Company during the period of six months ended 30 June 2017 were as follows:

Holders	Date of grant	Number of options			Held at 30 June 2017	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2017	Exercised during the period	Lapsed during the period			
Lui Che-woo	27 Nov 2007	1,055,000	—	—	1,055,000	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
Francis Lui Yiu Tung	17 Jan 2012	1,400,000	—	—	1,400,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	1,500,000	—	—	1,500,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	1,300,000	—	—	1,300,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	1,300,000	—	—	1,300,000	2.796	21 Jan 2017–20 Jan 2022
Paddy Tang Lui Wai Yu	27 Nov 2007	940,000	—	—	940,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	500,000	—	—	500,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
Alexander Lui Yiu Wah	27 Nov 2007	990,000	—	—	990,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	2,700,000	—	—	2,700,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	2,800,000	—	—	2,800,000	2.796	21 Jan 2017–20 Jan 2022
Moses Cheng Mo Chi	17 Jan 2012	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
Robin Chan Yau Hing	30 Sep 2014	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
William Yip Shue Lam	30 Sep 2014	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	160,000 ^(a)	—	—	2.796	21 Jan 2017–20 Jan 2022
Au Man Chu	21 Jan 2013	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
Wong Kwai Lam	17 Jan 2012	200,000	200,000 ^(b)	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	160,000	—	—	160,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	160,000	—	—	160,000	2.796	21 Jan 2017–20 Jan 2022
Employees and others (in aggregate)	27 Nov 2007	2,174,000	215,000 ^(c)	—	1,959,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	55,000	7,000 ^(d)	—	48,000	3.882	27 Nov 2008–26 Nov 2017
	17 Jan 2012	60,000	—	—	60,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	4,258,000	640,000 ^(e)	—	3,618,000	4.610	21 Jan 2014–20 Jan 2019
	30 Sep 2014	5,030,000	390,000 ^(f)	50,000	4,590,000	4.500	30 Sep 2015–29 Sep 2020
	21 Jan 2016	5,584,000	3,254,000 ^(g)	80,000	2,250,000	2.796	21 Jan 2017–20 Jan 2022

Other Information

Notes:

- (a) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$3.630 per share.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.940 per share.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.978 per share.
- (d) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.870 per share.
- (e) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$5.209 per share.
- (f) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$5.079 per share.
- (g) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.858 per share.

Except for the options granted on 24 January 2008 which vested on 27 November 2008, the other options granted were subject to a one-year vesting period.

No option was granted and cancelled during the period of six months ended 30 June 2017.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 30 June 2017, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 30 June 2017, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate % of Issued Share Capital
CWL Assets (PTC) Limited	1,504,617,167	50.80
HSBC International Trustee Limited	1,419,996,537 ⁽¹⁾	47.95
Super Focus Company Limited	1,015,205,420	34.28
Star II Limited	246,549,451	8.32
Favor Right Investments Limited	197,773,141	6.68
Premium Capital Profits Limited	172,195,281	5.81
Lui Che Woo Foundation Limited	170,578,281	5.76

Note:

- (1) HSBC International Trustee Limited is the trustee of the trust established by Dr. Lui Che-woo as the settlor which was interested in 1,419,996,537 Shares. Following the allotment of new Shares for interim scrip dividend for the six months ended 30 June 2016 on 18 October 2016, the shareholding of HSBC International Trustee Limited was increased to 1,504,617,167 Shares. Such Shares are the aggregation of (i) 197,773,141 Shares held by Favor Right Investments Limited, (ii) 45,089,155 Shares held by Best Chance Investments Ltd., (iii) 1,015,205,420 Shares held by Super Focus Company Limited, (iv) 172,195,281 Shares held by Premium Capital Profits Limited, and (v) 74,354,170 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by CWL Assets (PTC) Limited as trustee of the discretionary family trust.

There was duplication of interests of 1,504,617,167 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,015,205,420 Shares were interested by Super Focus Company Limited, 45,089,155 Shares were interested by Best Chance Investments Ltd., 197,773,141 Shares were interested by Favor Right Investments Limited, 172,195,281 Shares were interested between Premium Capital Profits Limited and Star II Limited and 74,354,170 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 30 June 2017, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.

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.

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 has been included in this interim report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's Code of Conduct for Securities Transactions by Directors. Having made specific enquiries with all its Directors, the Company confirms that during the period of six months ended 30 June 2017 all its Directors have complied with the required standards as set out in the Model Code.

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.

Other Information

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 Listing Rules, 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.

UPDATE ON DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Subsequent to the publication of the 2016 Annual Report, the Company was informed of the following changes in Directors’ information:

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP (Non-executive Director)*

Dr. Moses Cheng Mo Chi had resigned as an independent non-executive director of ARA Asset Management Limited (a company formerly listed in Singapore) with effect from 20 April 2017.

Dr. Robin Chan Yau Hing, *GBS, LLD, JP (Independent Non-executive Director)*

Dr. Robin Chan Yau Hing had been redesignated as an adviser of China Overseas Chinese Entrepreneurs Association effective in mid of June 2017.

Mr. Wong Kwai Lam *(Independent Non-executive Director)*

Mr. Wong Kwai Lam is a member of the Investment Sub-committee of the Chinese University of Hong Kong (“CUHK”) and he has been appointed as a member of the Advisory Board of Continuing and Professional Studies, CUHK, effective in August 2017.

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.

By Order of the Board

K. Wah International Holdings Limited

Lee Wai Kwan, Cecilia

Company Secretary

Hong Kong, 23 August 2017

 嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED

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