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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)

Delivering Value with Distinctive Quality

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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:

- Underlying profit of the Group increased substantially to HK$1,480 million; profit attributable to equity holders increased to HK$1,526 million.
- Revenue of the Group was HK$5,124 million and total attributable revenue inclusive of attributable revenue from joint ventures and associated companies of the Group was HK$5,311 million.
- Attributable contracted sales of the Group for the Period amounted to approximately HK$6.4 billion.
- As of 30 June 2019, attributable contracted sales of the Group yet to be recognised amounted to approximately HK$13.6 billion.
- Earnings per share was 48.82 HK cents, and an interim dividend per share of 6 HK cents was declared.
- As of 30 June 2019, net asset value per share was HK$12.01 and cash and bank deposits amounted to HK$6,163 million.
- Year to date, the Group has acquired two residential lands in Hong Kong via joint ventures and a commercial land site in Shanghai on its own. The Group will continue to seek opportunities to replenish its landbank on a disciplined basis in Hong Kong, The Pearl River and Yangtze River Deltas.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)
For the six months ended 30 June 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**5,123,730**	622,638
Cost of sales		**(2,893,076)**	(217,499)
Gross profit		**2,230,654**	405,139
Other operating income		**153,133**	132,220
Other net gains/(losses)		**14,445**	(29,141)
Fair value gain on transfer of development properties to investment properties	4	**-**	524,736
Change in fair value of investment properties		**70,377**	217,900
Other operating expenses		**(207,815)**	(117,766)
Administrative expenses		**(273,333)**	(248,130)
Finance costs		**(7,027)**	(18,709)
Share of profits of joint ventures		**69,704**	30,928
Share of profits of associated companies		**37,360**	11,794
Profit before taxation	5	**2,087,498**	908,971
Taxation charge	6	**(513,432)**	(282,336)
Profit for the period		**1,574,066**	626,635
Attributable to:			
Equity holders of the Company		**1,525,583**	577,737
Non-controlling interests		**48,483**	48,898
		1,574,066	626,635

	Note	***HK cents***	HK cents
Earnings per share	7		
Basic		**48.82**	18.88
Diluted		**48.76**	18.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**1,574,066**	626,635
Other comprehensive income/(loss):		
Item that will not be reclassified to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**463,079**	(316,844)
Item that may be reclassified to profit and loss:		
Exchange differences arising from translation	**(103,689)**	(224,045)
Other comprehensive income/(loss) for the period	**359,390**	(540,889)
Total comprehensive income for the period	**1,933,456**	85,746
Total comprehensive income attributable to:		
Equity holders of the Company	**1,893,443**	46,508
Non-controlling interests	**40,013**	39,238
	1,933,456	85,746

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	Note	**(unaudited) 30 June 2019** ***HK$'000***	(audited) 31 December 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**471,196**	485,296
Investment properties		**14,162,379**	14,138,018
Right-of-use assets		**28,534**	-
Leasehold land and land use rights		**-**	17,149
Joint ventures		**8,403,340**	6,436,888
Associated companies		**987,664**	1,105,550
Financial assets at fair value through other comprehensive income		**8,554,785**	8,091,706
Deferred taxation assets		**100,782**	97,646
Other non-current assets		**593,155**	569,899
		33,301,835	30,942,152
Current assets			
Development properties		**28,554,607**	29,952,900
Inventories		**1,733**	2,226
Amounts due from associated companies		**18,070**	5,165
Debtors and prepayments	9	**536,205**	562,070
Land and tender deposits		**79,700**	25,000
Financial assets at fair value through profit or loss		**1,398,780**	498,915
Taxes recoverable		**559,398**	416,884
Cash and bank deposits		**6,162,977**	7,488,536
		37,311,470	38,951,696
Total assets		**70,613,305**	69,893,848
EQUITY			
Share capital		**312,517**	312,485
Reserves		**37,230,298**	35,328,008
Shareholders' funds		**37,542,815**	35,640,493
Non-controlling interests		**1,369,529**	1,361,232
Total equity		**38,912,344**	37,001,725
LIABILITIES			
Non-current liabilities			
Borrowings		**13,247,831**	16,609,816
Guaranteed notes		**1,000,702**	1,000,127
Lease liabilities		**8,940**	-
Deferred taxation liabilities		**2,478,697**	2,449,047
		16,736,170	20,058,990
Current liabilities			
Amounts due to joint ventures		**1,425,811**	1,243,750
Amounts due to associated companies		**366,223**	372,909
Creditors, accruals and other liabilities	10	**1,379,376**	1,669,632
Pre-sales deposits		**7,107,798**	6,261,399
Current portion of borrowings		**2,861,512**	1,100,803
Taxes payable		**1,824,071**	2,184,640
		14,964,791	12,833,133
Total liabilities		**31,700,961**	32,892,123
Total equity and liabilities		**70,613,305**	69,893,848
Net current assets		**22,346,679**	26,118,563
Total assets less current liabilities		**55,648,514**	57,060,715

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2019 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income 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 2018 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 2018, except as stated below.

The adoption of new standards and amendments and interpretation to standards

In 2019, the Group adopted the following new standards and amendments and interpretation to standards, which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits – Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 Cycle	

The impact of the adoption of HKFRS 16 is disclosed in Note (i) below. The other amendments and interpretation to standards did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

New standard and amendments to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
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 17	Insurance Contracts	1 January 2021

The Group will adopt the above new standard and amendments to standards as and when they become effective. The Group has commenced a preliminary assessment of the impact of these new standard and amendments to standards, certain of which may be relevant to the Group's operations. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

1. Basis of preparation (Cont'd)

(i) Changes in accounting policies

The changes in accounting policies upon the adoption of HKFRS 16 'Leases' are set out below:

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated the comparatives for the prior years as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated balance sheet on 1 January 2019 and summarised as follows:

	As at 1 January 2019		
Condensed consolidated balance sheet (extract)	As previously stated HK$'000	Effects of the adoption HK$'000	As restated HK$'000
Right-of-use assets	-	30,617	30,617
Leasehold land and land use rights	17,149	(17,149)	-
Lease liabilities	-	10,473	10,473
Creditors, accruals and other liabilities	1,669,632	2,995	1,672,627

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

Lease payments include fixed payments less any lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated profit and loss statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

As a result, the total obligations under the operating lease commitments of HK$21,688,000 disclosed at 31 December 2018, adjusted by the effect of discounting and exclusion of short-term leases and low-value asset leases, amounted to lease liabilities of HK$13,468,000, were recognised on 1 January 2019. The amount was split into current and non-current portion of HK$2,995,000 and HK$10,473,000 respectively.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities on a present value basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. Together with the reclassification of leasehold land and land use rights, right-of-use assets of HK$30,617,000 were recognised in the condensed consolidated balance sheet as of 1 January 2019. The right-of-use assets are depreciation over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as lease expenses in the condensed consolidated profit and loss statement.

In applying HKFRS 16 for the first time, the Group has accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases as permitted under the practical expedients in the standard.

There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

2. Segment information

The Group is principally engaged in property development and investment in Hong Kong and Mainland China. 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 represent total assets excluding joint ventures, associated companies and other assets. Other assets include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

	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 2019						
Revenue from contracts with customers:						
- Recognised at a point in time	**2,710,683**	**2,064,832**	**-**	**-**	**-**	**4,775,515**
- Recognised over time	**-**	**-**	**-**	**-**	**55,527**	**55,527**
Revenue from other sources:						
- Rental income	**-**	**-**	**-**	**292,688**	**-**	**292,688**
Revenue	**2,710,683**	**2,064,832**	**-**	**292,688**	**55,527**	**5,123,730**
Adjusted EBITDA	**1,322,860**	**534,388**	**(725)**	**241,088**	**(124,784)**	**1,972,827**
Other income and expenses/gains, net						**(40,237)**
Depreciation and amortisation						**(15,506)**
Change in fair value of investment properties				**70,377**		**70,377**
Finance costs						**(7,027)**
Share of profits/(losses) of joint ventures	**81,398**	**(11,694)**				**69,704**
Share of profits/(losses) of associated companies	**41,800**	**(4,440)**				**37,360**
Profit before taxation						**2,087,498**
Taxation charge						**(513,432)**
Profit for the period						**1,574,066**
As at 30 June 2019						
Segment assets	**16,002,404**	**20,643,803**	**8,554**	**14,551,168**	**-**	**51,205,929**
Other assets	**-**	**-**	**-**	**-**	**9,998,302**	**9,998,302**
Joint ventures	**7,447,806**	**955,534**	**-**	**-**	**-**	**8,403,340**
Associated companies	**936,601**	**69,133**	**-**	**-**	**-**	**1,005,734**
Total assets	**24,386,811**	**21,668,470**	**8,554**	**14,551,168**	**9,998,302**	**70,613,305**
Total liabilities	**14,857,530**	**14,132,552**	**254**	**2,658,480**	**52,145**	**31,700,961**

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 2018						
Revenue from contracts with customers:						
- Recognised at a point in time	59,789	237,628	-	-	-	297,417
- Recognised over time	-	-	-	-	56,771	56,771
Revenue from other sources:						
- Rental income	-	-	-	268,450	-	268,450
Revenue	59,789	237,628	-	268,450	56,771	622,638
Adjusted EBITDA	24,429	43,763	(1,360)	219,855	(113,829)	172,858
Other income and expenses/losses, net						(14,687)
Depreciation and amortisation						(15,849)
Fair value gain on transfer of development properties to investment properties				524,736		524,736
Change in fair value of investment properties				217,900		217,900
Finance costs						(18,709)
Share of profits/(losses) of joint ventures	34,851	(3,923)				30,928
Share of profits of associated companies	11,794	-				11,794
Profit before taxation						908,971
Taxation charge						(282,336)
Profit for the period						626,635
As at 31 December 2018						
Segment assets	18,848,005	19,965,683	9,555	14,489,103	-	53,312,346
Other assets	-	-	-	-	9,033,899	9,033,899
Joint ventures	5,319,488	1,117,400	-	-	-	6,436,888
Associated companies	979,719	130,996	-	-	-	1,110,715
Total assets	25,147,212	21,214,079	9,555	14,489,103	9,033,899	69,893,848
Total liabilities	16,519,036	13,672,551	446	2,634,444	65,646	32,892,123
Six months ended 30 June 2019						
Additions to non-current assets	**-**	**12,968**	**2**	**108**	**250**	**13,328**
Six months ended 30 June 2018						
Additions to non-current assets	-	1,217	8	6	300	1,531

Geographical segment information

The Group operates in two (2018: two) main geographical areas, including Hong Kong and Mainland China.

The revenue for the six months ended 30 June 2019 and 2018 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets and other non-current assets) as at 30 June 2019 and 31 December 2018 by geographical area are as follows:

2. Segment information (Cont'd)

Revenue

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**2,747,483**	96,967
Mainland China	**2,376,247**	525,671
	5,123,730	622,638

Non-current assets

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Hong Kong	**2,996,650**	3,003,484
Mainland China	**11,665,321**	11,636,826
Other	**138**	153
	14,662,109	14,640,463

3. Revenue

	2019	2018
	HK$'000	*HK$'000*
Sales of properties	**4,775,515**	297,417
Rental income	**292,688**	268,450
Hotel operations	**55,527**	56,771
	5,123,730	622,638

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

The amount represented fair value gain on transfer of certain development properties to investment properties during the period of 2018 in pursuance of the Group's strategy to increase the recurring income.

5. Profit before taxation

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income	**52,679**	39,567
Dividend income from financial assets at fair value through other comprehensive income	**73,118**	66,618
Net fair value gains on derivative financial instruments	**-**	1,080
Net fair value gains on financial assets at fair value through profit or loss	**13,151**	5,025
Net exchange gains	**1,532**	-
and after charging:		
Cost of properties sold	**2,830,522**	156,462
Selling and marketing expenses	**193,143**	108,110
Depreciation for property, plant and equipment (net of capitalisation)	**13,509**	15,785
Depreciation for right-of-use assets	**1,997**	-
Amortisation for leasehold land and land use rights	**-**	64
Lease expenses	**2,296**	-
Operating lease rental for land and buildings	**-**	4,978
Loss on disposal of property, plant and equipment	**238**	94
Net exchange losses	**-**	35,152

6. Taxation charge

	2019	2018
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**204,770**	2,520
Mainland China		
- Income tax	**139,992**	42,780
- Land appreciation tax	**133,290**	23,978
Over-provision in previous years	**(50)**	(18)
Deferred	**35,430**	213,076
	513,432	282,336

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**1,525,583**	577,737

	Number of shares	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	**3,124,908,000**	3,059,922,000
Effect of dilutive potential ordinary shares – Share options	**3,926,000**	8,699,000
Weighted average number of shares for calculating diluted earnings per share	**3,128,834,000**	3,068,621,000

8. Dividend

The Board has declared an interim cash dividend of HK$187,510,000 (being 6 HK cents per share) (2018: an interim scrip dividend (with a cash option) of 6 HK cents per share, totaling HK$187,034,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2019.

9. Debtors and prepayments

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Trade debtors	**6,854**	5,324
Other debtors	**202,459**	258,529
Amounts due from non-controlling interests	**28,987**	11,984
Prepayments and other deposits	**55,196**	49,041
Sales commissions	**128,409**	91,109
Sales taxes	**114,300**	146,083
	536,205	562,070

Trade debtors mainly comprise rental receivable. 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 2019	31 December 2018
	HK$'000	*HK$'000*
Within one month	**5,149**	4,525
Two to three months	**333**	180
Four to six months	**68**	75
Over six months	**1,304**	544
	6,854	5,324

10. Creditors, accruals and other liabilities

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Trade creditors	**925,127**	1,264,651
Other creditors	**88,332**	62,536
Accrued operating expenses	**155,280**	147,201
Rental and other deposits received	**207,654**	195,244
Lease liabilities – current portion	**2,983**	-
	1,379,376	1,669,632

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Within one month	**908,637**	1,239,733
Two to three months	**3,167**	2,336
Four to six months	**294**	380
Over six months	**13,029**	22,202
	925,127	1,264,651

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2019 ("***Period***") was HK$5,124 million, primarily derived from the property sales of K. City in Hong Kong, The Peak in Nanjing, J Metropolis in Guangzhou, Silver Cove in Dongguan and from the rental income of Shanghai K. Wah Centre. The amount was substantially above that for the same period last year as certain sold units for K. City completed last year were handed over to the buyers with revenue recognised in the Period. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK$187 million) was HK$5,311 million for the Period.

Profit attributable to equity holders of the Company was HK$1,526 million, while underlying profit of the Group (before fair value gain of investment properties) was HK$1,480 million for the Period.

The total comprehensive income attributable to equity holders of the Company for the Period was HK$1,893 million after accounting for the fair value change 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 as of the Period end.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) for the Period amounted to approximately HK$6.4 billion, mainly derived from Solaria and K. City in Hong Kong, Phase III of The Palace and Windermere in Shanghai, The Peak in Nanjing, Huadu Jiahua Plaza in Guangzhou, Silver Cove in Dongguan and joint venture projects both in Hong Kong and Mainland China.

As of 30 June 2019, the Group had unrecognised attributable contracted sales amounted to approximately HK$13.6 billion, expected to be accounted for in the second half of 2019 and 2020.

Property Development and Investment in Hong Kong

Despite the adjustment since August 2018, property market rebounded during the first half of the year. Home prices and primary transactions had been trending up since January and in March the US Federal Reserve indicated no rate hikes before year-end. A low interest rate environment in Hong Kong provided support to the residential market despite the ongoing trade tensions between China and the US.

The Group continued to market the remaining units of Solaria and K. City. New batches of Solaria launched for sale in the Period generated contracted sales of approximately HK$920 million and as of the Period end, approximately 75% of the units of Solaria were sold. For K. City, the handover of sold units in 2018 continued in the Period with sales revenue recognised. On the other hand, new sales contracted for the Period amounted to approximately HK$750 million, out of which, HK$90 million were recognised in the Period. As of the Period end, only 5 units remained. Construction of all projects progressed well as scheduled, including Solaria and the Grampian Road project and joint venture projects of Kam Sheung Road and Cheung Sha Wan. The occupation permit for Solaria is expected to be granted in the third quarter.

The Group's leasing performance continued to be satisfactory during the Period. Our premium dining and shopping arcade J SENSES and a commercial complex at Twin Peaks, were respectively 99% and 100% let as of the Period end and recorded satisfactory rental income.

The Group has actively participated in land bids. In April and July, the Group acquired in joint ventures with other property developers two plots of residential land at Tseung Kwan O and Kai Tak respectively with attributable GFA of approximately 26,700 square metres and 40,000 square metres.

Property Development and Investment in Mainland China

Despite ongoing restrictive measures on the residential market, overall property market sentiment remained firm. Home prices in Tier 1 cities experienced moderate increases while more price gains were seen in Tier 2 and lower-tier cities, supported by genuine underlying demand. Transaction volumes, particularly for Tier 1 and 2 cities, remained relatively stable. Market softened after government tightened measures in some cities from April.

Sales for Phase III of The Palace in Shanghai, a completed project, started in March after the sales consent was granted which received an overwhelming response with its prime location and premium quality. Contracted sales of approximately RMB2.2 billion were recorded as of the Period end. Sales are expected to be recognised by the year end upon delivery of sold units to buyers. The Group also continued to market the remaining units of its completed projects, Windermere in Shanghai, The Peak in Nanjing, J Metropolis, Le Palais, J Wings and the apartments in Phase III of Huadu Jiahua Plaza in Guangzhou, and Silver Cove in Dongguan. Handover of sold units of these projects progressed smoothly while construction of its developing projects, including joint venture projects, progressed as scheduled.

In July, the Group acquired a piece of commercial land located in Changning, Shanghai, which has a GFA of approximately 12,500 square metres.

The Group's investment properties continued to have satisfactory occupancy and received a good market response during the Period. Shanghai K. Wah Centre, achieved an average occupancy of approximately 99% while our serviced apartments achieved an average occupancy of around 90%. Palace Lane was almost fully let as of the Period end and other commercial facilities also achieved an average occupancy of about 80 - 90%.

Investment in GEG

The Group maintains the investment of 162 million shares, or an approximate 3.8% interest, in GEG carried at fair market value. As of 30 June 2019, the share price of GEG was HK$52.65 compared with HK$49.80 as of 31 December 2018. The change in fair value gain of approximately HK$463 million was directly recorded in reserve.

OUTLOOK AND STRATEGY

Global and Mainland China

During the Period, global economic growth slowed down under the impact of the Sino-US trade war. The widespread trade conflicts among various countries, the uncertainties on Brexit, the geo-political risk in the North Asia and the Middle East all added more risk to global economic growth. Global stock markets were volatile, affected by the progress of the Sino-US trade talks and the news on the expected US interest rate movement. The RMB was also volatile during the Period, rising by 3% to peak in February with all the gains wiped off as of the Period end.

US GDP grew 3.1% and 2.1% in the first and second quarters of 2019 respectively while GDP growth for Mainland China slowed to 6.4% and 6.2%. In Hong Kong, GDP growth dropped substantially to 0.6% for the first quarter and further to 0.5% in the second quarter while the government's full year forecast was revised downward to 0-1% lately.

The property market in Hong Kong and Mainland China

It was generally expected from the second quarter that the US would cut its interest rate, marking the end of its interest rate hike cycle. Together with the liquidity in the banking market, the strong pent-up underlying demand from the second half of 2018 pushed residential property price and primary transactions up in the Period. Despite a possible economic slowdown, the supporting fundamentals remain and the property market is not expected to see significant adjustments in the near term.

On the other hand, the Mainland China property market continues to be affected by the government's restrictive measures which are not expected to be relieved soon. We however remain conservatively optimistic on the Mainland China property market in the medium and longer term, particularly in those cities within The Pearl River and Yangtze River Deltas where we have operations. The Group continues to look for further investment opportunities.

Project sales and progress

In Hong Kong, construction of Solaria in Tai Po progresses as scheduled. The occupation permit is expected to be granted soon. Approximately 75% of the total units had been sold at HK$7.2 billion as of the Period end. The Group will continue to market the project's remaining units and sales will be recognised upon delivery of sold units to buyers. While handover of sold units and carparks of K. City for contracted sales of approximately HK$660 million as of the Period end progresses as scheduled in this second half, the Group will continue to market the project's remaining 5 units and its carparks. The Group had submitted the application for pre-sale consent for its second project in Kai Tak, K. Summit, which will be launched for sale once the consent is granted.

In Mainland China, the Group will continue to launch further units for sale in Phase III of The Palace and Windermere in Shanghai, and the apartments in Phase III of Huadu Jiahua Plaza in Guangzhou. The handover of sold units in the abovementioned projects progresses as scheduled and is expected by the year end while that for the sold units of the last phase of The Peak in Nanjing has commenced from August. Development of the Group's wholly owned projects in Shanghai, Nanjing, Suzhou, Guangzhou, Dongguan and Jiangmen, and that of the joint venture projects in Kunshan, Suzhou, Jiaxing and Jiangmen progresses as scheduled. Construction of Royal Creek, a 33% owned project in Nanjing with only a few units available, is expected to be completed with the sold units handed over to buyers in late 2019.

Land bank replenishment

The Group actively participated in land bids in Hong Kong and Mainland China in the Period, acquiring a residential land site in Hong Kong in April and another residential land site in July, both via joint ventures, as well as a commercial land site in Shanghai on its own in July. It will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities, taking advantage of the softening land market in Hong Kong and Mainland China.

Recurring income

In Shanghai, Shanghai K. Wah Centre and the three serviced apartments under "Stanford Residences" brand, namely Jing An, Xu Hui and Jin Qiao and Palace Lane, and Cove Gala (formerly "J Town") in Dongguan are of satisfactory occupancy. Commercial portions and offices of Phases III and IV of Huadu Jiahua Plaza in Guangzhou of approximately 38,000 square metres were launched for leasing, following their completion in November 2018, with favourable response. As of the Period end, the Group's investment property portfolio had a GFA of approximately 240,000 square metres. With the commercial portions of The Peak in Nanjing of 8,000 square metres launched for leasing later the year, our office project with a GFA of approximately 20,000 square metres at Suhe Creek, Jingan, Shanghai, expected to be completed and operational in the first half of 2020, and the 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 increased by 10% compared to the same period of 2018 and remains a source of our recurring income.

Conclusion

Major developed countries, Mainland China and Hong Kong still maintained growth in the first half of 2019 while there are more concerns over the growth momentum and sustainability going forward. US just announced to impose a 10% tariff on another US$300 billion of Chinese imports from September but then decided to defer levying the tariff on some of these imports to December. It is generally believed that the trade war between China and the US will not end soon. On the other hand, US cutting its interest rate by 0.25% in late July as the market expected will help to boost buyers' interest in the Hong Kong property market. Despite Chinese economic growth is slowing down, it continues to outperform many developed countries. While Hong Kong property market saw consolidation from June, its economy growth slows down and there are volatility and uncertainties recently, it will remain stable. We also prudently believe that the Mainland property market can also sustain its growth going forward with the government's stable policies.

The Group has secured considerable contracted sales to be recognised and will continue to develop our existing projects and launch those in our pipeline as scheduled, as well as further replenish our land bank in a disciplined manner. The Group remains well positioned to capture any opportunities in the recent softened land market in Hong Kong and Mainland China arising from the latest market development or restrictive property measures.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained healthy. As of 30 June 2019, total funds employed (being total equity and total borrowings and guaranteed notes) were HK$56 billion (31 December 2018: HK$56 billion). The number of issued shares of the Company increased to 3,125,174,615 as of 30 June 2019 (31 December 2018: 3,124,854,615) 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 2019, the Group's borrowings of bank loans and guaranteed notes were HK$17,110 million, with a maturity profile spread over a period of up to five years except for HK$175 million which is due after 5 years, 17% of the rest is repayable within one year and the remaining 83% repayable over one to five years. The average borrowing interest rate for the Group during the Period was approximately 2.8%.

In addition, the Group had available undrawn facilities totalling HK$19,289 million, comprising HK$13,601 million for working capital and HK$5,688 million for project facility purposes.

As of 30 June 2019, cash and bank deposits stood at HK$6,163 million, with approximately 56% held in Renminbi.

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, decreased from 30% as of last year end to 28% as of 30 June 2019.

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$17,110 million as of 30 June 2019, approximately 95% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 94% of such borrowings and notes was on a floating rate basis, with the remainder on a fixed rate basis. In July, the Group entered into interest rate contracts to swap floating rate loans for the amount of HK$1 billion into fixed rate.

Charges on Group Assets

As of 30 June 2019, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK$17,866 million (31 December 2018: HK$15,962 million, including leasehold land and land use rights) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2019, 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$32,178 million (31 December 2018: HK$28,347 million) and HK$3,609 million (31 December 2018: HK$3,609 million) respectively. Of these, facilities totalling HK$15,508 million (31 December 2018: HK$16,953 million) and HK$2,888 million (31 December 2018: HK$2,880 million) respectively have been utilised.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK$859 million (31 December 2018: HK$1,081 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

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 the principles of observing 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 Company's 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 2019, 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 2018 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 13 August 2019 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 2019 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 2019 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 2019.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2019 of 6 HK cents per share, totaling HK$187,510,000, payable on 21 October 2019 to the shareholders whose names appear on the registers of members of the Company at the close of business on 18 September 2019 (2018: an interim scrip dividend (with a cash option) of 6 HK cents per share, totaling HK$187,034,000). It is expected that the dividend warrants will be posted to those entitled on 21 October 2019.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 13 September 2019 to 18 September 2019, 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 12 September 2019.

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 2019 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 2019.

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. William Yip Shue Lam, Mr. Au Man Chu, Mr. Wong Kwai Lam and Mr. Nip Yun Wing.

By Order of the Board of
K. Wah International Holdings Limited
Lee Wai Kwan, Cecilia
Company Secretary

Hong Kong, 20 August 2019