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Delivering Value with Distinctive Quality

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS HIGHLIGHTS

The board of directors (“**Board**”) of K. Wah International Holdings Limited (“**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) as follows:

- Revenue of the Group was HK\$5,392 million and taking into account joint ventures and associated companies, total attributable revenue of the Group increased by 79% to HK\$5,787 million.
- Underlying profit increased by 1.2 times to HK\$1,063 million whereas, profit attributable to equity holders also increased by 39% to HK\$1,081 million.
- Attributable contracted sales of the Group for the Period amounted to HK\$12.4 billion.
- As of 30 June 2022, the Group had attributable contracted sales of HK\$15.5 billion in total yet to be recognised.
- Earnings per share was 34.51 HK cents and an interim dividend per share of 7 HK cents was declared.
- As of 30 June 2022, net asset value per share was HK\$14.3.
- The Group continues to assess any opportunities, where appropriate, to replenish its landbank in Hong Kong, and The Pearl River and Yangtze River Deltas, on a disciplined basis and in a cautious manner.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)
For the six months ended 30 June 2022

	Note	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	5,391,730	2,510,912
Cost of sales		(3,686,276)	(1,279,498)
Gross profit		1,705,454	1,231,414
Other operating income		261,174	136,355
Other net gains		126,324	30,983
Fair value gain on transfer of investment properties to development properties		-	482,477
Change in fair value of investment properties		25,329	38,199
Other operating expenses		(324,721)	(195,218)
Administrative expenses		(336,768)	(324,125)
Finance costs		(30,135)	(18,111)
Share of (losses)/profits of joint ventures		(16,225)	18,123
Share of profits of associated companies		18,210	24,218
Profit before taxation	4	1,428,642	1,424,315
Taxation charge	5	(318,915)	(612,823)
Profit for the period		1,109,727	811,492
Attributable to:			
Equity holders of the Company		1,081,087	776,278
Non-controlling interests		28,640	35,214
		1,109,727	811,492
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		34.51	24.83
Diluted		34.51	24.78

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	1,109,727	811,492
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified to profit and loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	1,039,898	308,720
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	(1,415,489)	333,787
Other comprehensive (loss)/income for the period	(375,591)	642,507
Total comprehensive income for the period	734,136	1,453,999
Total comprehensive income attributable to:		
Equity holders of the Company	763,953	1,401,653
Non-controlling interests	(29,817)	52,346
	734,136	1,453,999

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2022

	Note	(unaudited) 30 June 2022 HK\$'000	(audited) 31 December 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		332,900	356,821
Investment properties		16,422,091	16,946,902
Right-of-use assets		22,286	23,226
Joint ventures		11,242,903	11,225,144
Associated companies		2,562,569	3,120,932
Financial assets at fair value through other comprehensive income		7,604,253	6,564,355
Deferred taxation assets		139,258	146,223
Derivative financial instruments		65,483	-
Other non-current assets		2,240,118	2,367,954
		<u>40,631,861</u>	<u>40,751,557</u>
Current assets			
Development properties		23,054,540	26,835,315
Inventories		1,716	1,362
Amount due from a joint venture		54,634	129,003
Debtors and prepayments	8	527,569	587,710
Land and tender deposits		50,000	100,000
Derivative financial instruments		11,510	-
Financial assets at fair value through profit or loss		245,077	1,166,702
Taxes recoverable		1,089,225	789,386
Cash and cash equivalents		6,771,248	8,136,563
		<u>31,805,519</u>	<u>37,746,041</u>
Total assets		<u>72,437,380</u>	<u>78,497,598</u>
EQUITY			
Share capital		313,289	313,023
Reserves		44,357,117	43,585,993
Shareholders' funds		<u>44,670,406</u>	<u>43,899,016</u>
Non-controlling interests		1,230,146	1,316,418
Total equity		<u>45,900,552</u>	<u>45,215,434</u>
LIABILITIES			
Non-current liabilities			
Borrowings		8,354,234	16,385,011
Derivative financial instruments		-	22,743
Lease liabilities		7,019	5,455
Deferred taxation liabilities		2,767,786	2,860,327
		<u>11,129,039</u>	<u>19,273,536</u>
Current liabilities			
Amounts due to joint ventures		1,478,699	773,232
Amounts due to associated companies		58,238	142,289
Creditors, accruals and other liabilities	9	2,082,026	2,429,360
Pre-sales deposits		4,320,046	3,891,367
Current portion of borrowings		6,560,433	2,598,955
Derivative financial instruments		-	3,338
Taxes payable		908,347	4,170,087
		<u>15,407,789</u>	<u>14,008,628</u>
Total liabilities		<u>26,536,828</u>	<u>33,282,164</u>
Total equity and liabilities		<u>72,437,380</u>	<u>78,497,598</u>
Net current assets		<u>16,397,730</u>	<u>23,737,413</u>
Total assets less current liabilities		<u>57,029,591</u>	<u>64,488,970</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2022 has been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets (financial assets at fair value through other comprehensive income, 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 2021 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 2021, except as stated below.

The adoption of amendments and improvements to standards

In 2022, the Group adopted the following amendments and improvements to standards, which are relevant to its operations.

HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendment)	Reference to the Conceptual Framework
HKFRS 9 (Amendment)	Financial Instruments
HKFRS 16 (Amendment)	Leases
Annual Improvements to HKFRSs 2018–2020 Cycle	

The above amendments and improvements to standards did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

New standard, amendments to standards, practice statement and interpretation that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Amendment) and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17 and HKFRS 17 (Amendment)	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The Group will adopt the above new standard, amendments to standards, practice statement and interpretation as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of these new standard, amendments to standards, practice statement and interpretation will have no material impact on the results and the financial position of the Group. The Group will continue to assess the impact in more details.

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 investment properties to development properties and change in fair value of investment properties. 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	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2022					
Revenue from contracts with customers					
- Recognised at a point in time	3,427,392	1,624,612	-	-	5,052,004
- Recognised over time	-	-	-	21,962	21,962
Revenue from other sources					
- Rental income	-	-	317,764	-	317,764
Revenue	3,427,392	1,624,612	317,764	21,962	5,391,730
Adjusted EBITDA	1,108,812	173,574	261,335	(158,726)	1,384,995
Other income and expenses/gains, net					62,777
Depreciation and amortisation					(16,309)
Change in fair value of investment properties			25,329		25,329
Finance costs					(30,135)
Share of (losses)/profits of joint ventures	(17,639)	1,414			(16,225)
Share of (losses)/profits of associated companies	(5,944)	24,154			18,210
Profit before taxation					1,428,642
Taxation charge					(318,915)
Profit for the period					1,109,727
As at 30 June 2022					
Segment assets	5,935,017	27,549,684	16,975,744	-	50,460,445
Other assets	-	-	-	8,116,829	8,116,829
Joint ventures	9,642,628	1,654,909	-	-	11,297,537
Associated companies	2,531,563	31,006	-	-	2,562,569
Total assets	18,109,208	29,235,599	16,975,744	8,116,829	72,437,380
Total liabilities	6,653,514	16,305,060	3,542,765	35,489	26,536,828

2. Segment information (Cont'd)

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021					
Revenue from contracts with customers					
- Recognised at a point in time	724,908	1,424,620	-	-	2,149,528
- Recognised over time	-	-	-	30,108	30,108
Revenue from other sources					
- Rental income	-	-	331,276	-	331,276
Revenue	724,908	1,424,620	331,276	30,108	2,510,912
Adjusted EBITDA	363,612	440,662	263,678	(144,390)	923,562
Other income and expenses/gains, net					(27,880)
Depreciation and amortisation					(16,273)
Fair value gain on transfer of investment properties to development properties			482,477		482,477
Change in fair value of investment properties			38,199		38,199
Finance costs					(18,111)
Share of (losses)/profits of joint ventures	(12,689)	30,812			18,123
Share of (losses)/profits of associated companies	(3,153)	27,371			24,218
Profit before taxation					1,424,315
Taxation charge					(612,823)
Profit for the period					811,492
As at 31 December 2021					
Segment assets	9,342,789	30,072,938	17,612,943	-	57,028,670
Other assets	-	-	-	6,993,849	6,993,849
Joint ventures	9,479,467	1,874,680	-	-	11,354,147
Associated companies	3,113,050	7,882	-	-	3,120,932
Total assets	21,935,306	31,955,500	17,612,943	6,993,849	78,497,598
Total liabilities	10,732,773	18,930,062	3,543,888	75,441	33,282,164
Additions to non-current assets:					
Six months ended 30 June 2022	131	6,849	70,427	48	77,455
Six months ended 30 June 2021	716	9,501	972,587	278	983,082

Geographical segment information

The Group operates in two (2021: two) main geographical areas: Hong Kong and Mainland China.

The revenue for the six months ended 30 June 2022 and 2021 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets, derivative financial instruments and other non-current assets) as at 30 June 2022 and 31 December 2021 by geographical area are as follows:

2. Segment information (Cont'd)

Revenue	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	3,470,967	758,472
Mainland China	1,920,763	1,752,440
	<u>5,391,730</u>	<u>2,510,912</u>

Non-current assets	30 June 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Hong Kong	2,977,167	2,978,471
Mainland China	13,800,110	14,348,478
	<u>16,777,277</u>	<u>17,326,949</u>

3. Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of properties	5,052,004	2,149,528
Rental income	317,764	331,276
Hotel operations	21,962	30,108
	<u>5,391,730</u>	<u>2,510,912</u>

4. Profit before taxation

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	139,232	83,052
Dividend income from financial assets at fair value through other comprehensive income	48,745	-
Gain on disposal of investment property	-	4,555
Net fair value gains on derivative financial instruments	103,074	25,791
Net fair value gains on financial assets at fair value through profit or loss	9,259	12,492
Net exchange gains	31,162	7,421
and after charging:		
Cost of properties sold	3,631,540	1,219,024
Selling and marketing expenses	263,563	139,773
Depreciation for property, plant and equipment (net of capitalisation)	13,035	13,595
Depreciation for right-of-use assets	3,274	2,678
Lease expenses	4,239	3,983
Net loss on settlement of derivative financial instruments	17,155	17,880

5. Taxation charge

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current		
Hong Kong profits tax	153,316	53,310
Mainland China		
- Income tax	114,651	112,779
- Land appreciation tax	31,364	318,124
Over-provision in previous years	(18)	-
Deferred	19,602	128,610
	<u>318,915</u>	<u>612,823</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated for the period in Mainland China has been provided at the rate of 25% (2021: 25%). 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.

6. Earnings per share

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>1,081,087</u>	<u>776,278</u>
	Number of shares	
	2022	2021
Weighted average number of shares for calculating basic earnings per share	3,132,451,282	3,126,974,615
Effect of dilutive potential ordinary shares – Share options	-	5,237,526
Weighted average number of shares for calculating diluted earnings per share	<u>3,132,451,282</u>	<u>3,132,212,141</u>

7. Dividend

The Board has declared an interim cash dividend of HK\$219,303,000 (being 7 HK cents per share) (2021: 7 HK cents per share, totaling HK\$218,888,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2022.

8. Debtors and prepayments

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	8,576	4,916
Other debtors	242,128	222,314
Amounts due from non-controlling interests	50,865	-
Prepayments and other deposits	31,297	45,264
Sales commissions	18,658	34,999
Sales taxes	176,045	280,217
	<u>527,569</u>	<u>587,710</u>

Trade debtors mainly comprise rental receivables. 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 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	5,223	2,336
Two to three months	2,664	505
Four to six months	474	26
Over six months	215	2,049
	<u>8,576</u>	<u>4,916</u>

9. Creditors, accruals and other liabilities

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	1,173,450	1,739,999
Other creditors	124,554	103,901
Accrued operating expenses	534,298	325,067
Rental and other deposits received	246,124	254,699
Lease liabilities – current portion	3,600	5,694
	<u>2,082,026</u>	<u>2,429,360</u>

Trade creditors mainly comprise construction cost payables.

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

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	1,165,097	1,732,094
Two to three months	1,890	3,025
Four to six months	1,462	1,718
Over six months	5,001	3,162
	<u>1,173,450</u>	<u>1,739,999</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2022 (“*Period*”) was HK\$5,392 million, mainly derived from the property sales of K. Summit and Solaria in Hong Kong and Bayview in Dongguan, and the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$395 million) was HK\$5,787 million for the Period.

Profit attributable to equity holders of the Company was HK\$1,081 million, while underlying profit of the Group (before the net of tax fair value change of investment properties) was HK\$1,063 million for the Period.

The total comprehensive income attributable to equity holders of the Company for the Period was HK\$764 million after accounting for the fair value change on the non-current investment of an 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\$12.4 billion, mainly derived from Grand Mayfair and Villa Garda in Hong Kong, and Navale and Imperial Mansion in Shanghai as well as Cavendish and Sierra in Nanjing, Mainland China.

As of 30 June 2022, the Group had unrecognised attributable contracted sales amounted to approximately HK\$15.5 billion, expected to be accounted for from the second half of 2022 onwards.

Operation Review

Hong Kong

During the Period, the Group launched for sales the first batch of residential units of two joint venture projects, Grand Mayfair, MTR Kam Sheung Road Station in Yuen Long and Villa Garda, MTR LOHAS Park Station in Tseung Kwan O, in April and June respectively. More batches of units were put up for sale to meet the overwhelming market demand, resulting in attributable contracted sales amounted to approximately HK\$4.7 billion.

The handover of pre-sold units for K. Summit continued with the corresponding sales revenue of approximately HK\$3.1 billion recognised, while contracted sales for the Period amounted to approximately HK\$0.3 billion, leaving only a few standard units and some special units in stock. Construction of the Group’s projects has progressed as scheduled.

The Group’s investment properties continued to maintain satisfactory occupancy. Our premium dining and shopping arcade J SENSES achieved an average occupancy of 97% while the commercial complex at Twin Peaks and K. Summit were all leased out throughout the Period. Benefitting from the commercial complex of K. Summit becoming fully let and operational from late last year, rental revenue recorded an increase compared to the same period last year though partially offset by the concessions granted to tenants whose businesses were adversely affected by the fifth wave of COVID-19.

Mainland China

Despite the pandemic, the Group grasped the windows to launch five new projects during the Period. It comprised four wholly-owned projects, Navale in Shanghai, Cavendish and Sierra in Nanjing and Avanti in Suzhou, and a 49%-owned project, Imperial Mansion in Shanghai. They were generally well received by the market, particularly those in Shanghai with all residential units sold on launch day, generating total attributable contracted sales of around RMB5 billion for the Group. On the other hand, the construction of projects in Shanghai was suspended during the implementation of containment measures amid the COVID-19 outbreak, but resumed in June. Nevertheless, project delays are largely under control.

The handover of pre-sold units to buyers at Bayview in Dongguan commenced immediately following the completion of construction for the relevant residential blocks in June, with corresponding sales revenue of approximately HK\$1.1 billion recognised for the Period. The development of other parts of Bayview and other projects under construction progressed as scheduled.

Rental income decreased slightly primarily due to concessions granted to certain tenants in support of their businesses amid the containment measures in Shanghai. We however saw occupancy remain stable and the business environment improved gradually following the relaxation. Our prime office building, Shanghai K. Wah Centre, maintained an average occupancy of 98% while our serviced apartments achieved an overall occupancy of around 90%. Palace Lane and EDGE were fully let as of the Period end and other commercial facilities continued to achieve satisfactory occupancy.

Investment in GEG

The Group maintains the investment of 162 million shares, or an approximate 3.73% interest, in GEG carried at fair market value. As of 30 June 2022, the share price of GEG was HK\$46.8 as compared with HK\$40.4 as of 31 December 2021. The increase in fair value of approximately HK\$1 billion was directly recorded in reserve.

MARKET REVIEW AND OUTLOOK

Global, Mainland China and Hong Kong

During the Period, major economies kicked off new rounds of interest rate hiking to combat inflation. Escalating global geopolitical tensions and the pandemic have severely been disturbing the global supply chain, and energy and food supplies. Soaring energy and food prices in turn drove inflation rates even higher. United States (“US”) inflation rate reached a new 40-year high. In addition to hiking its interest rate, money supply is also being tightened. As a result, US recorded negative GDP growth in the first two quarters of 2022 consecutively.

Inflation rate only grew relatively moderate in Mainland China and Hong Kong in the Period. Ongoing outbreaks of COVID-19 variants in Mainland China and Hong Kong however affected their economic activities severely. Containment measures in several major cities in Mainland China since March dragged its GDP growth down to 0.4% in the second quarter from 4.8% in the first quarter. In Hong Kong, GDP contracted by 3.9% and 1.3% in the first and second quarter respectively.

The property market in Hong Kong and Mainland China

The fifth wave of COVID-19 in Hong Kong from early February 2022 and the consequential stringent quarantine measures continued to have restricted international travelers to Hong Kong and significant adverse impacts on some industries, particularly retail, hospitality, food and beverage. The Hong Kong economy overall has been severely disrupted while unemployment rate became more stabilised lately, reflecting Hong Kong's resilience. With the social distancing measures in place and negative sentiments growing, primary and secondary property market transactions dropped by 41% and 37% year-on-year respectively in the Period while average transacted price in the secondary market recorded only a slight decline. Nevertheless, the Group managed to successfully launch the sale of two development projects at MTR stations, Grand Mayfair and Villa Garda in the Period and will continue to launch more units to meet buyers' demand.

On the other hand, the sentiment of Mainland China property market continued to be overshadowed by the pandemic and the debt crisis of its financially over-leveraged property developers and the consequential impacts. Home sales in China have generally been deterred with sales amount in the Period dropped by 32% year-on-year nationally. While the Zero-COVID policy remains, stringent containment measures began to be lifted in June in Shanghai and the Group grasped the window to launch its residential project, Navale, Pudong, with all launched units sold out. The Group also launched Sierra, residential portion of its mega comprehensive development in Nanjing for sale in late June 2022 receiving overwhelming responses, and will continue to launch more units to meet buyers' demand upon relevant pre-sale consents are available.

Land bank replenishment

The Group participated in a number of land auctions or tenders in the Period. The Group has also been exploring various alternatives to actively seek new investment opportunities. In February 2022, the Group partnered with a local government-owned enterprise in a joint venture for an urban redevelopment project in Huangpu District, Guangzhou. After the Period end, the Group also secured a new land parcel at Hospital Road, Hong Kong in July on sole basis. The Group will continuously monitor the land market and continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and Mainland China.

Conclusion

Major economies have kicked off their interest rate-hiking cycles. In particular, US has raised its Federal funds rate by 2.25% since the beginning of the year and more is expected to come.

With Hong Kong dollars pegged to the US dollars, the US Federal funds rate hikes have been driving higher the HIBORs, referenced to which mortgage rates are set, and damping market sentiment. Nevertheless, resilient buyers' demand in Hong Kong still ensured the stability of the residential property market while unemployment rate has been stabilising and trending down. The debt crisis amongst mainland developers is yet to be over. Some homebuyers recently stopped paying mortgages on unfinished homes in some cities which may further dampen buyers' sentiment in Mainland China. We however note mortgage rates there are declining and banks are speeding up approvals and release of mortgage funding to buyers which we believe will provide support in stabilising the property market in the second half of 2022.

Despite the challenging business environment ahead, demand for quality residential properties by potential buyers always remains. The Group continues to be cautiously optimistic on the stable and healthy development of the local and Mainland China property markets in the medium to long term. This year also marks the 30th anniversary of the Group's presence in Mainland China property

market. On the back of its extensive experience garnered over the years, the Group will continue to launch more premium new projects for sale according to the philosophies of “K. Wah Plus” and the persistence in delivering impeccable quality projects. Meanwhile, the “Northern Metropolis Development Strategy” will be conducive to the integrated development of Hong Kong with Shenzhen as well as integration with other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, thereby creating more opportunities. It is also expected the new government of Hong Kong will implement more policies to ensure a healthy property market. The Group will capitalize on its solid financial strengths and prudent land replenishment strategy to grasp various opportunities for development in Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory. As of 30 June 2022, total funds employed (being total equity and total borrowings) were HK\$61 billion (31 December 2021: HK\$64 billion). The number of issued shares of the Company increased to 3,132,894,615 as of 30 June 2022 (31 December 2021: 3,130,234,615) 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 rolling basis and arranges refinancing of the Group’s borrowings when appropriate. As of 30 June 2022, the Group’s borrowings of bank loans decreased to HK\$14,915 million (31 December 2021: HK\$18,984 million) and out of which, 44% is repayable within one year. The maturity profile of the borrowings is spread over a period of up to five years except for an amount of HK\$197 million which is due after five years. The average interest rate for the Group during the Period increased from 1.6% of last year to 1.8% as market rates hiking.

As of 30 June 2022, the Group had available undrawn banking facilities totaling HK\$20,394 million (31 December 2021: HK\$18,132 million), comprising HK\$15,510 million (31 December 2021: HK\$12,686 million) for working capital and HK\$4,884 million (31 December 2021: HK\$5,446 million) for project facility purposes.

As of 30 June 2022, the Group’s cash and bank deposits stood at HK\$6,771 million (31 December 2021: HK\$8,137 million), with approximately 76% held in Renminbi. The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, decreased from 24% as of last year end to 18% as of 30 June 2022, resulting from its strong contracted sales.

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 mitigate the impact of any undue interest rate fluctuations on the Group’s operations in the medium and longer term. Accordingly, interest rate swap contracts for a total amount of HK\$2.9 billion (31 December 2021: HK\$2.9 billion) were executed for three years or five years as of the Period end.

Of the Group’s bank loans of HK\$14,915 million as of 30 June 2022, approximately 84% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 81% of such borrowings were on a floating rate basis, with the remainder on a fixed rate basis.

Charges on Group Assets

As of 30 June 2022, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$16,099 million (31 December 2021: HK\$20,374 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2022, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies, amounting to HK\$10,678 million (31 December 2021: HK\$12,737 million) and HK\$2,664 million (31 December 2021: HK\$980 million) respectively, of which facilities totaling HK\$6,034 million (31 December 2021: HK\$7,670 million) and HK\$1,260 million (31 December 2021: HK\$684 million) respectively have been utilised. In addition, the Group provided guarantees amounting to HK\$1,616 million (31 December 2021: HK\$1,808 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

As of 30 June 2022, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK\$29,663 million (31 December 2021: HK\$29,943 million), HK\$9,359 million (31 December 2021: HK\$10,089 million) and HK\$2,664 million (31 December 2021: HK\$980 million) respectively. Of these, facilities totaling HK\$13,832 million (31 December 2021: HK\$17,127 million), HK\$5,956 million (31 December 2021: HK\$6,332 million) and HK\$1,260 million (31 December 2021: HK\$684 million) respectively have been utilised.

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 the 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 2022, the Company has complied with the code provisions (“*CPs*”) set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities (“*Listing Rules*”) on The Stock Exchange of Hong Kong Limited, apart from the deviations from (i) CP B.2.2 (retirement by rotation of directors); and (ii) CP C.2.1 (roles of chairman and managing director). The chairman and the managing director are not subject to retirement by rotation. The roles of chairman and managing director have not been separated.

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 2021 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 17 August 2022 to review the Company's accounting principles and practices and to discuss audit strategy, risk management and internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2022 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 2022 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 2022.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2022 of 7 HK cents per share, totaling HK\$219,303,000, payable on 26 October 2022 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2022 (2021: an interim cash dividend of 7 HK cents per share, totaling HK\$218,888,000). It is expected that the dividend warrants will be posted to those entitled on 26 October 2022.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 14 September 2022 to 19 September 2022, 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 and Transfer Office 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 2022.

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 2022 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 2022.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (*Chairman & Managing Director*), Mr. Francis Lui Yiu Tung, Mrs. 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. 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, 24 August 2022