



# Our Mission 企業使命

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.

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。



# Contents

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



# Corporate Profile

K. Wah International Holdings Limited (“KWIH” or “the Group”, stock code: 0173) 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, hotels, 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.

# 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

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## WEBSITE ADDRESS

<http://www.kwih.com>

## 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:

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

## INTERIM DIVIDEND

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

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

# Management Discussion and Analysis

## BUSINESS REVIEW

### Operating Results

The revenue of the Group for the six months ended 30 June 2016 was HK\$5,536 million, which was mainly derived from the property sales of Twin Peaks in Hong Kong, Grand Summit in Shanghai and J Wings in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$2,375 million) was HK\$7,911 million for the six months ended 30 June 2016.

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

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

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

### Property Development and Investment in Hong Kong SAR

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

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

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

Leasing performance remained stable during the period. Our premium dining and shopping arcade, J SENSES, in Wan Chai continued to maintain full occupancy and record satisfactory rental income.

### Property Development and Investment in Mainland China

Housing demand was underpinned during the review period by the Chinese Government's de-stocking and relaxation policies, including bank reserve requirements as announced by the People's Bank of China in February this year. Property markets in tier one cities and adjacent tier two cities remained active with rising transaction

## Management Discussion and Analysis

prices and volumes in the first quarter of the year. Certain austerity measures were thus implemented in the second quarter in Shanghai and Shenzhen in order to cool down the market, significantly reducing the number of transactions, especially for high-end properties, whereas transaction prices remained intact in tier one cities amidst more balanced demand and supply. Nevertheless, land prices in these cities rose further in recent months while the local governments are implementing new measures aiming to cool down the property market.

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

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

### Investment in GEG

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

## OUTLOOK AND STRATEGY

### Global and Asian Economy

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

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

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

### Hong Kong and Mainland Property Market

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

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

### Project Sales and Progress

In Hong Kong, construction works for the joint venture project The Spectra and the wholly-owned project at Kai Tak Area 11 Site 2 progressed as scheduled. Pre-sale of The Spectra commenced in March 2016 while Kai Tak is expected to be launched towards the end of this year or early next year. The sales of these two projects are expected to be recognised in 2018. Construction on Tai Po Town Lot No. 226 will be started soon.

In the coming few months, we will launch the last phase of The Palace in Shanghai and The Peak Phase I in Nanjing. The total saleable area of this phase of The Palace is approximately 69,000 square metres, of which we



will retain approximately 26,000 square metres as serviced apartments, while The Peak is approximately 142,800 square metres (of which Phase I is approximately 30,000 square metres). These two projects are expected to be completed in 2017. In addition, we will continue to market the available units in Grand Summit.

In the Pearl River Delta region, we will launch J Metropolis Phase IV in Guangzhou and Silver Cove Phase III in Dongguan in the next few months. In addition we will continue to sell the remaining units in J Metropolis, J Wings, Le Palais and Silver Cove. J Metropolis Phases II & III and Silver Cove Phases I & II will be completed within the next few months, and the results are expected to be recognised in the second half of 2016.

### **Land Bank Replenishment**

Although we did not add to our land bank in the first half of the year, we will continue to exercise discipline and sound judgment in our land banking replenishment programme in Hong Kong and Mainland China.

### **Recurring Income**

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

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

### **Conclusion**

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

## **REVIEW OF FINANCE**

### **Financial Position**

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

### **Group Liquidity, Financial Resources and Gearing Ratio**

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

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

As of 30 June 2016, cash and bank deposits stood at HK\$7,489 million, and approximately 76% was held in Renminbi.

## Management Discussion and Analysis

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, stayed at 23% as of 30 June 2016 (31 December 2015: 35%).

### Treasury Policies

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

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

### Charges on Group Assets

As of 30 June 2016, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$13,125 million (31 December 2015: HK\$12,078 million) to banks in order to secure the Group's borrowing facilities.

### Guarantees

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

In addition, certain subsidiaries of the Company provided guarantees amounting to HK\$1,389 million (31 December 2015: HK\$564 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the HKSAR Government with respect to the performance obligation of an investee company under a contract with the HKSAR Government.

## EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2016, the Group, excluding its associated companies and joint ventures, employed 856 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$179 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 10 to 26, 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 2016 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, 22 August 2016

## Condensed Consolidated Profit and Loss Statement (unaudited)

	Note	For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	5	<b>5,535,928</b>	2,358,994
Cost of sales		<b>(3,013,651)</b>	(900,549)
Gross profit		<b>2,522,277</b>	1,458,445
Other operating income		<b>59,951</b>	104,973
Other net gains/(losses)		<b>92,588</b>	(14,012)
Other operating expenses		<b>(253,921)</b>	(172,218)
Administrative expenses		<b>(234,309)</b>	(234,249)
Change in fair value of investment properties		<b>26,530</b>	100,899
Finance costs		<b>(8,441)</b>	(39,968)
Share of profits of joint ventures		<b>23,553</b>	67,815
Share of profits of associated companies		<b>683,109</b>	30,756
Profit before taxation	6	<b>2,911,337</b>	1,302,441
Taxation charge	7	<b>(989,872)</b>	(719,692)
Profit for the period		<b>1,921,465</b>	582,749
Attributable to:			
Equity holders of the Company		<b>1,897,363</b>	533,776
Non-controlling interests		<b>24,102</b>	48,973
		<b>1,921,465</b>	582,749
Earnings per share	8	<b>HK cents</b>	HK cents
Basic		<b>66.82</b>	19.15
Diluted		<b>66.72</b>	19.12

## Condensed Consolidated Statement of Comprehensive Income (unaudited)

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>	<b>1,921,465</b>	582,749
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investment	<b>(235,602)</b>	(2,079,796)
Exchange differences arising from translation	<b>(334,937)</b>	6,902
Other comprehensive loss for the period	<b>(570,539)</b>	(2,072,894)
<b>Total comprehensive income/(loss) for the period</b>	<b>1,350,926</b>	(1,490,145)
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	<b>1,347,913</b>	(1,539,931)
Non-controlling interests	<b>3,013</b>	49,786
	<b>1,350,926</b>	(1,490,145)

# Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	(unaudited) 30 June 2016 HK\$'000	(audited) 31 December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		471,953	500,680
Investment properties		7,924,608	7,829,881
Leasehold land and land use rights		15,282	15,904
Joint ventures		871,881	837,530
Associated companies		1,163,041	510,218
Non-current investment		3,737,133	3,972,735
Deferred taxation assets		71,097	100,048
Derivative financial instruments		6,432	846
Other non-current assets		161,422	85,613
		<b>14,422,849</b>	13,853,455
<b>Current assets</b>			
Development properties		24,557,791	26,395,780
Inventories		1,378	2,680
Amounts due from associated companies		111,150	165,150
Debtors and prepayments	11	1,907,144	1,611,519
Financial assets at fair value through profit or loss		327,791	—
Taxes recoverable		251,098	198,018
Cash and bank deposits	12	7,488,771	4,337,042
		<b>34,645,123</b>	32,710,189
<b>Total assets</b>		<b>49,067,972</b>	46,563,644
<b>EQUITY</b>			
Share capital	13	283,979	283,959
Reserves		22,893,606	21,541,214
Shareholders' funds		23,177,585	21,825,173
Non-controlling interests		1,598,370	1,511,587
<b>Total equity</b>		<b>24,775,955</b>	23,336,760
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	9,478,914	9,418,226
Guaranteed notes	15	1,147,333	2,706,597
Derivative financial instruments		20,143	17,302
Deferred taxation liabilities		1,714,131	1,645,558
		<b>12,360,521</b>	13,787,683
<b>Current liabilities</b>			
Amounts due to joint ventures		253,918	238,970
Amounts due to associated companies		103,034	31,768
Creditors and accruals	16	1,356,437	1,432,662
Pre-sales deposits		5,443,770	5,404,066
Current portion of borrowings	14	1,102,508	459,791
Current portion of guaranteed notes	15	1,562,873	—
Taxes payable		2,108,956	1,871,944
		<b>11,931,496</b>	9,439,201
<b>Total liabilities</b>		<b>24,292,017</b>	23,226,884
<b>Total equity and liabilities</b>		<b>49,067,972</b>	46,563,644
<b>Net current assets</b>		<b>22,713,627</b>	23,270,988
<b>Total assets less current liabilities</b>		<b>37,136,476</b>	37,124,443

# Condensed Consolidated Cash Flow Statement (unaudited)

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net cash generated from operating activities	<b>2,589,804</b>	582,923
<b>Cash flows from investing activities</b>		
Net changes in balances with joint ventures	<b>4,138</b>	(1,548,070)
Net changes in balances with associated companies	<b>125,252</b>	297,434
Purchase of financial assets at fair value through profit or loss	<b>(327,600)</b>	—
Dividend received from a joint venture	<b>80</b>	1,722,525
Others	<b>(187,159)</b>	(288,772)
Net cash (used in)/generated from investing activities	<b>(385,289)</b>	183,117
<b>Cash flows from financing activities</b>		
New bank loans	<b>2,799,107</b>	2,301,978
Repayment of bank loans	<b>(2,115,915)</b>	(2,223,514)
Capital contribution from non-controlling interests	<b>83,770</b>	26,218
Dividend paid to non-controlling interests	<b>—</b>	(14,951)
Issues of new shares	<b>424</b>	—
Net cash generated from financing activities	<b>767,386</b>	89,731
<b>Net increase in cash and cash equivalents</b>	<b>2,971,901</b>	855,771
Cash and cash equivalents at beginning of the period	<b>4,301,234</b>	5,252,856
Changes in exchange rates	<b>(76,864)</b>	(3,090)
<b>Cash and cash equivalents at end of the period</b>	<b>7,196,271</b>	6,105,537

## Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2016

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 January 2016</b>	<b>283,959</b>	<b>5,804,068</b>	<b>15,737,146</b>	<b>21,825,173</b>	<b>1,511,587</b>	<b>23,336,760</b>
<b>Comprehensive income</b>						
Profit for the period	—	—	1,897,363	1,897,363	24,102	1,921,465
<b>Other comprehensive loss</b>						
Other comprehensive loss for the period	—	(549,450)	—	(549,450)	(21,089)	(570,539)
<b>Transactions with equity holders</b>						
Issue of shares upon exercise of share 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
<b>At 30 June 2016</b>	<b>283,979</b>	<b>5,258,814</b>	<b>17,634,792</b>	<b>23,177,585</b>	<b>1,598,370</b>	<b>24,775,955</b>
At 1 January 2015	278,715	10,254,403	14,612,064	25,145,182	1,545,781	26,690,963
<b>Comprehensive income</b>						
Profit for the period	—	—	533,776	533,776	48,973	582,749
<b>Other comprehensive (loss)/income</b>						
Other comprehensive (loss)/income for the period	—	(2,073,707)	—	(2,073,707)	813	(2,072,894)
<b>Transactions with equity holders</b>						
Fair value of share options	—	9,346	—	9,346	—	9,346
Capital contribution from non-controlling interests	—	—	—	—	26,218	26,218
Dividends	—	—	—	—	(14,951)	(14,951)
At 30 June 2015	278,715	8,190,042	15,145,840	23,614,597	1,606,834	25,221,431



# 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 22 August 2016.

This interim financial information has not been audited.

## 2 BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2015, except as stated below.

### The adoption of revised HKFRSs

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

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

The Group has assessed the impact of the adoption of these new standard and amendments to standards and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the interim financial information.

## Notes to the Interim Financial Information

### 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 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is not yet in a position to state whether the adoption of the above new standards and amendments to standards will result in substantial changes to the Group's accounting policies and presentation of the interim financial information.

### 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 2015.

There have been no material changes in the Group's financial risk management structure, policies and procedures since year ended 31 December 2015.

#### (b) Liquidity risk

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

#### (c) Estimates of fair value of financial instruments

In 2016, 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).

### 3 FINANCIAL RISK MANAGEMENT (cont'd)

#### (c) Estimates of fair value of financial instruments (cont'd)

At 30 June 2016 and 31 December 2015, the Group had no Level 3 financial instruments, the only Level 1 financial instrument that was measured at fair value represented the non-current investment and Level 2 financial instruments that were measured at fair value represented the structured bank deposits, financial assets at fair value through profit or loss and derivative financial instruments.

In 2016, there were no transfers of financial assets or financial liabilities between the levels in the hierarchy.

In 2016, 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 and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, financial assets at fair value through profit or loss, taxes recoverable, cash and bank deposits and other assets mainly include non-current investment, derivative financial instruments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, pre-sales deposits, amounts due to joint ventures and associated companies, borrowings, guaranteed notes, derivative financial instruments, taxes payable and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

## Notes to the Interim Financial Information

## 4 SEGMENT INFORMATION (cont'd)

	Property development			Property investment	Others	Total
	Mainland			HK\$'000	HK\$'000	HK\$'000
	Hong Kong HK\$'000	China HK\$'000	Others HK\$'000			
<b>Six months ended 30 June 2016</b>						
Revenue	3,154,409	2,146,259	—	187,024	48,236	5,535,928
Adjusted EBITDA	818,659	1,437,594	(1,491)	169,411	(116,033)	2,308,140
Other income and expenses/gains, net						(101,382)
Depreciation and amortisation						(20,172)
Change in fair value of investment properties				26,530		26,530
Finance costs						(8,441)
Share of profits/(losses) of joint ventures	23,567	(14)				23,553
Share of profits of associated companies	683,109					683,109
Profit before taxation						2,911,337
Taxation charge						(989,872)
Profit for the period						1,921,465
<b>As at 30 June 2016</b>						
Segment assets	11,673,585	22,249,308	327,139	8,144,772	—	42,394,804
Other assets	—	—	—	—	4,527,096	4,527,096
Joint ventures	871,409	472	—	—	—	871,881
Associated companies	1,274,191	—	—	—	—	1,274,191
Total assets	13,819,185	22,249,780	327,139	8,144,772	4,527,096	49,067,972
Total liabilities	7,311,959	15,032,393	421	1,863,825	83,419	24,292,017
<b>Six months ended 30 June 2015</b>						
Revenue	—	2,133,341	—	173,623	52,030	2,358,994
Adjusted EBITDA	(971)	1,197,159	(1,458)	163,049	(112,648)	1,245,131
Other income and expenses/losses, net						(81,257)
Depreciation and amortisation						(20,935)
Change in fair value of investment properties				100,899		100,899
Finance costs						(39,968)
Share of profits/(losses) of joint ventures	68,010	(195)				67,815
Share of profits of associated companies	30,756					30,756
Profit before taxation						1,302,441
Taxation charge						(719,692)
Profit for the period						582,749
<b>As at 31 December 2015</b>						
Segment assets	13,026,066	19,168,668	311,183	7,976,587	—	40,482,504
Other assets	—	—	—	—	4,568,242	4,568,242
Joint ventures	837,043	487	—	—	—	837,530
Associated companies	675,368	—	—	—	—	675,368
Total assets	14,538,477	19,169,155	311,183	7,976,587	4,568,242	46,563,644
Total liabilities	9,080,935	12,517,864	716	1,566,837	60,532	23,226,884
<b>Six months ended 30 June 2016</b>						
Additions to non-current assets	—	520	—	—	919	1,439
<b>Six months ended 30 June 2015</b>						
Additions to non-current assets	—	733	111	—	650	1,494

## 4 SEGMENT INFORMATION (cont'd)

### Geographical segment information

The Group operates in three (2015: three) main geographical areas, including Hong Kong, Mainland China and Singapore. The revenue for the six months ended 30 June 2016 and 2015 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 30 June 2016 and 31 December 2015 by geographical area are as follows:

#### Revenue

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

#### Non-current assets

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

## 5 REVENUE

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

## Notes to the Interim Financial Information

## 6 PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
<b>Profit before taxation is stated after crediting:</b>		
Interest income	24,897	47,741
Dividend income from non-current investment	24,373	45,495
Fair value gain on transfer of development properties to investment properties	91,762	—
Net fair value gains on derivative financial instruments	2,745	—
Net exchange gains	—	701
<b>and after charging:</b>		
Cost of properties sold	2,980,370	867,156
Selling and marketing expenses	249,270	160,202
Depreciation (net of amount capitalised under properties under development of HK\$144,000 (2015: HK\$169,000))	20,109	20,869
Amortisation for leasehold land and land use rights	63	66
Operating lease rental for land and buildings	4,214	3,947
Loss on disposal of property, plant and equipment	72	499
Net fair value losses on derivative financial instruments	—	14,214
Net exchange losses	1,847	—

## 7 TAXATION CHARGE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China has been provided at the rates of taxation prevailing in Mainland China in which the Group operates. There is no income tax provided on other comprehensive loss.

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.

## 8 EARNINGS PER SHARE

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

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

## 9 DIVIDEND

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

## 10 CAPITAL EXPENDITURE

For the six months ended 30 June 2016, the Group incurred HK\$1 million (2015: HK\$1 million) on property, plant and equipment.

## 11 DEBTORS AND PREPAYMENTS

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

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Rental from tenants is due and payable in advance.

## Notes to the Interim Financial Information

### 11 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:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Within one month	<b>907,890</b>	897,921
Two to three months	<b>94,004</b>	259,417
Four to six months	<b>70</b>	63,496
Over six months	<b>46,015</b>	2,041
	<b>1,047,979</b>	1,222,875

### 12 CASH AND BANK DEPOSITS

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Short-term bank deposits maturing after three months	—	35,808
Structured bank deposits	<b>292,500</b>	—
	<b>292,500</b>	35,808
Cash at bank and in hand	<b>5,539,614</b>	3,445,519
Short-term and other bank deposits	<b>1,656,657</b>	855,715
Cash and cash equivalents	<b>7,196,271</b>	4,301,234
Cash and bank deposits	<b>7,488,771</b>	4,337,042

### 13 SHARE CAPITAL

	2016		2015	
	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	<b>5,000,000,000</b>	<b>500,000</b>	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	<b>2,839,597,270</b>	<b>283,959</b>	2,787,154,270	278,715
Share options exercised	<b>200,000</b>	<b>20</b>	—	—
At 30 June	<b>2,839,797,270</b>	<b>283,979</b>	2,787,154,270	278,715



### 13 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, senior executives or employees of the Company or its affiliates and other qualifying grantees. During the period, share options to subscribe for 200,000 shares were exercised (2015: Nil).

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

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2016	31 December 2015
27 November 2008 to 26 November 2017	4.636	<b>5,159,000</b>	5,159,000
27 November 2008 to 26 November 2017	3.882	<b>1,355,000</b>	1,355,000
17 January 2013 to 16 January 2018	2.120	<b>9,034,000</b>	9,234,000
21 January 2014 to 20 January 2019	4.610	<b>14,548,000</b>	14,548,000
30 September 2015 to 29 September 2020	4.500	<b>15,730,000</b>	15,980,000
21 January 2017 to 20 January 2022	2.796	<b>16,978,000</b>	—
		<b>62,804,000</b>	46,276,000

### 14 BORROWINGS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Long-term bank loans		
Secured	<b>3,791,389</b>	3,809,008
Unsecured	<b>6,790,033</b>	6,069,009
Total bank loans	<b>10,581,422</b>	9,878,017
Current portion included in current liabilities	<b>(1,102,508)</b>	(459,791)
	<b>9,478,914</b>	9,418,226

### 15 GUARANTEED NOTES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Guaranteed notes	<b>2,710,206</b>	2,706,597
Current portion included in current liabilities	<b>(1,562,873)</b>	—
	<b>1,147,333</b>	2,706,597

## Notes to the Interim Financial Information

### 15 GUARANTEED NOTES (cont'd)

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. The fair value of the notes as at 30 June 2016 was HK\$1,397 million (31 December 2015: HK\$1,473 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 2016 was HK\$1,030 million (31 December 2015: HK\$1,015 million).

### 16 CREDITORS AND ACCRUALS

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

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

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

## 17 COMMITMENTS

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Contracted but not provided for commitments in respect of		
— property investment	—	—
— property development	<b>4,581,559</b>	3,491,783
— joint venture	<b>5,775</b>	6,211
	<b>4,587,334</b>	3,497,994

## 18 GUARANTEES

As at 30 June 2016, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	<b>30 June 2016</b>		31 December 2015	
	<b>Outstanding HK\$'000</b>	<b>Utilised HK\$'000</b>	Outstanding HK\$'000	Utilised HK\$'000
— joint ventures	<b>117,000</b>	<b>117,000</b>	117,000	117,000
— properties buyers	<b>1,388,542</b>	<b>1,388,542</b>	563,965	563,965
	<b>1,505,542</b>	<b>1,505,542</b>	680,965	680,965

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 HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

## Notes to the Interim Financial Information

### 19 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:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Fees, salaries and other emoluments	<b>15,358</b>	14,796
Discretionary bonuses	<b>3,504</b>	3,354
Pension costs — defined contribution plans	<b>1,488</b>	1,430
Share option	<b>2,328</b>	5,313
	<b>22,678</b>	24,893

- (b) Rental income from an investee company amounted to HK\$719,000 (2015: HK\$663,000) based on the terms of rental agreement between the parties.
- (c) Rental expenses to a related company amounted to HK\$9,433,000 (2015: HK\$5,534,000) based on the terms of master lease agreement between the parties.
- (d) As at 30 June 2016 and 31 December 2015, the Company has executed a guarantee in favour of the HKSAR Government in respect of the contract for quarrying rights and rehabilitation of the quarry of Tai Sheung Tok Anderson Road of an investee company.
- (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 expected to be completed in January 2017.

# Other Information

## DIRECTORS' INTERESTS IN SECURITIES

As of 30 June 2016, 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	25,227,176	8,317,120 <sup>(1)</sup>	284,175,140 <sup>(2)</sup>	1,432,152,769 <sup>(3)</sup>	1,749,872,205	61.62
Francis Lui Yiu Tung	10,038,035	—	—	1,432,152,769 <sup>(3)</sup>	1,442,190,804	50.78
Paddy Tang Lui Wai Yu	24,727,605	—	—	1,432,152,769 <sup>(3)</sup>	1,456,880,374	51.30
Alexander Lui Yiu Wah	16,473,234	—	3,859,147 <sup>(4)</sup>	1,432,152,769 <sup>(3)</sup>	1,452,485,150	51.15
Moses Cheng Mo Chi	720,000	—	—	—	720,000	0.03
Robin Chan Yau Hing <sup>(5)</sup>	2,396,979	—	—	—	2,396,979	0.08
William Yip Shue Lam	732,726	—	—	—	732,726	0.03
Au Man Chu	720,000	—	—	—	720,000	0.03
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 founder. 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 beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.
- (5) Dr. Robin Chan Yau Hing (through a corporation beneficially owned and controlled by him) had subscribed for the guaranteed notes with the principal sum of US\$200,000,000 carrying a coupon rate of 5.375% per annum for a maturity of 5 years issued by K. Wah International Financial Services Limited (a wholly-owned subsidiary of the Company) under the US\$1 billion Medium Term Note Programme. Such notes are guaranteed by the Company and are listed on the HK Stock Exchange.

## Other Information

### (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 2016 were as follows:

Holders	Date of grant	Number of options				Held at 30 June 2016	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2016	Granted during the period <sup>(a)</sup>	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	2.796	21 Jan 2017–20 Jan 2022
Au Man Chu	17 Jan 2012	200,000	—	200,000 <sup>(b)</sup>	—	—	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
Wong Kwai Lam	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

Holders	Date of grant	Number of options				Lapsed during the period	Held at 30 June 2016	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2016	Granted during the period <sup>(a)</sup>	Exercised during the period					
Employees and others (in aggregate)	27 Nov 2007	2,174,000	—	—	—	2,174,000	4.636	27 Nov 2008–26 Nov 2017	
	24 Jan 2008	55,000	—	—	—	55,000	3.882	27 Nov 2008–26 Nov 2017	
	17 Jan 2012	160,000	—	—	—	160,000	2.120	17 Jan 2013–16 Jan 2018	
	21 Jan 2013	4,558,000	—	—	—	4,558,000	4.610	21 Jan 2014–20 Jan 2019	
	30 Sep 2014	5,780,000	—	—	250,000	5,530,000	4.500	30 Sep 2015–29 Sep 2020	
	21 Jan 2016	—	6,478,000	—	—	6,478,000	2.796	21 Jan 2017–20 Jan 2022	

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the period was HK\$2.700 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\$3.150 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 cancelled during the period of six months ended 30 June 2016.

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 2016, 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).

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 30 June 2016, 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	1,432,152,769	50.43
HSBC International Trustee Limited	1,419,996,537 <sup>(1)</sup>	50.00
Super Focus Company Limited	966,311,749	34.03
Star II Limited	234,675,299	8.26
Southeastern Asset Management, Inc.	227,062,209	7.99
Favor Right Investments Limited	188,248,120	6.63
Premium Capital Profits Limited	163,902,125	5.77
Lui Che Woo Foundation Limited	162,363,000	5.72

Note:

- (1) HSBC International Trustee Limited is the trustee of a discretionary trust established by Dr. Lui Che-woo as the founder which was interested in 1,419,996,537 Shares. Following the acquisition of Shares during the period from 23 to 30 November 2015, the shareholding of HSBC International Trustee Limited was increased to 1,432,152,769 Shares. Such Shares are the aggregation of (i) 188,248,120 Shares held by Favor Right Investments Limited, (ii) 42,917,601 Shares held by Best Chance Investments Ltd., (iii) 966,311,749 Shares held by Super Focus Company Limited, (iv) 163,902,125 Shares held by Premium Capital Profits Limited, and (v) 70,773,174 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

There was duplication of interests of 1,432,152,769 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, 966,311,749 Shares were interested by Super Focus Company Limited, 42,917,601 Shares were interested by Best Chance Investments Ltd., 188,248,120 Shares were interested by Favor Right Investments Limited, 163,902,125 Shares were interested between Premium Capital Profits Limited and Star II Limited and 70,773,174 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 30 June 2016, 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 2016.

## **AUDIT COMMITTEE**

The Audit Committee of the Company met on 15 August 2016 and reviewed the Company's accounting principles and practices and discussed internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee of the Company and by the Company's Independent Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor 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 2016 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.

During the period of six months ended 30 June 2016, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules at that time, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2015 Annual Report still holds. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

## Other Information

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

Subsequent to the publication of the 2015 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 was awarded the Grand Bauhinia Medal by the Government of the HKSAR in July 2016.

### CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 September 2016 to 19 September 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 September 2016.

By Order of the Board

**K. Wah International Holdings Limited**

**Lee Wai Kwan, Cecilia**

*Company Secretary*

Hong Kong, 22 August 2016





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

29/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong  
香港北角渣華道191號嘉華國際中心29樓  
Tel電話:(852) 2880 0178 Fax傳真:(852) 2880 5610

[www.kwih.com](http://www.kwih.com)