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

(Stock Code: 00173)

## Delivering Value with Distinctive Quality

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### INTERIM RESULTS HIGHLIGHTS

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

- Underlying profit increased by 85% to HK\$2,736 million whereas, profit attributable to equity holders also increased by 68% to HK\$2,556 million.
- Revenue of the Group was HK\$8,407 million and taking into account joint ventures and associated companies, total attributable revenue of the Group increased by 59% to HK\$8,466 million.
- Earnings per share was 81.77 HK cents and an interim dividend per share of 7 HK cents was declared.
- Attributable contracted sales of the Group for the Period amounted to approximately HK\$3.7 billion.
- As of 30 June 2020, attributable contracted sales of the Group yet to be recognised amounted to approximately HK\$6.3 billion.
- As of 30 June 2020, net asset value per share increased to HK\$12.87.
- 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 given the prevailing market uncertainty due to the resurgence of the COVID-19 pandemic and escalating geopolitical tensions.

**CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)**  
**For the six months ended 30 June 2020**

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	<b>8,406,721</b>	5,123,730
Cost of sales		<b>(4,310,186)</b>	(2,893,076)
Gross profit		<b>4,096,535</b>	2,230,654
Other operating income		<b>224,960</b>	153,133
Other net (losses)/gains		<b>(77,656)</b>	14,445
Change in fair value of investment properties		<b>(212,789)</b>	70,377
Other operating expenses		<b>(361,913)</b>	(207,815)
Administrative expenses		<b>(269,262)</b>	(273,333)
Finance costs		<b>(14,930)</b>	(7,027)
Share of profits of joint ventures		<b>22,788</b>	69,704
Share of (losses)/profits of associated companies		<b>(3,112)</b>	37,360
Profit before taxation	4	<b>3,404,621</b>	2,087,498
Taxation charge	5	<b>(841,140)</b>	(513,432)
<b>Profit for the period</b>		<b>2,563,481</b>	1,574,066
Attributable to:			
Equity holders of the Company		<b>2,555,901</b>	1,525,583
Non-controlling interests		<b>7,580</b>	48,483
		<b>2,563,481</b>	1,574,066
Earnings per share	6	<i>HK cents</i>	<i>HK cents</i>
Basic		<b>81.77</b>	48.82
Diluted		<b>81.71</b>	48.76

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)**  
**For the six months ended 30 June 2020**

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u>2,563,481</u>	<u>1,574,066</u>
<b>Other comprehensive (loss)/income:</b>		
<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	(755,551)	463,079
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	<u>(490,194)</u>	<u>(103,689)</u>
Other comprehensive (loss)/income for the period	<u>(1,245,745)</u>	<u>359,390</u>
<b>Total comprehensive income for the period</b>	<u><b>1,317,736</b></u>	<u><b>1,933,456</b></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	1,334,535	1,893,443
Non-controlling interests	<u>(16,799)</u>	<u>40,013</u>
	<u><b>1,317,736</b></u>	<u><b>1,933,456</b></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

		(unaudited) 30 June 2020	(audited) 31 December 2019
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		361,035	377,281
Investment properties		14,694,827	15,140,988
Right-of-use assets		20,235	22,486
Joint ventures		10,828,440	10,615,223
Associated companies		2,175,726	2,192,007
Financial assets at fair value through other comprehensive income		8,571,033	9,326,584
Deferred taxation assets		73,882	119,465
Derivative financial instruments		-	4,334
Other non-current assets		681,046	583,312
		<u>37,406,224</u>	<u>38,381,680</u>
<b>Current assets</b>			
Development properties		25,011,893	28,269,442
Inventories		1,779	1,658
Amount due from a joint venture		142,713	157,817
Amounts due from associated companies		-	15,707
Debtors and prepayments	8	574,228	625,445
Financial assets at fair value through profit or loss		1,418,586	1,312,704
Taxes recoverable		616,618	351,508
Cash and bank deposits		5,016,314	5,443,079
		<u>32,782,131</u>	<u>36,177,360</u>
<b>Total assets</b>		<u><b>70,188,355</b></u>	<u><b>74,559,040</b></u>
<b>EQUITY</b>			
Share capital		312,597	312,517
Reserves		39,910,212	38,573,520
Shareholders' funds		<u>40,222,809</u>	<u>38,886,037</u>
Non-controlling interests		1,176,700	1,231,899
<b>Total equity</b>		<u><b>41,399,509</b></u>	<u><b>40,117,936</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		17,369,462	15,170,602
Guaranteed notes		552,130	1,001,208
Derivative financial instruments		71,240	-
Lease liabilities		5,251	7,033
Deferred taxation liabilities		2,491,749	2,526,798
		<u>20,489,832</u>	<u>18,705,641</u>
<b>Current liabilities</b>			
Amounts due to joint ventures		1,304,441	1,260,655
Amounts due to associated companies		127,657	80,099
Creditors, accruals and other liabilities	9	1,174,827	1,412,838
Pre-sales deposits		1,683,870	5,944,004
Current portion of borrowings		1,101,349	4,269,151
Current portion of guaranteed notes		449,632	-
Taxes payable		2,457,238	2,768,716
		<u>8,299,014</u>	<u>15,735,463</u>
<b>Total liabilities</b>		<u><b>28,788,846</b></u>	<u><b>34,441,104</b></u>
<b>Total equity and liabilities</b>		<u><b>70,188,355</b></u>	<u><b>74,559,040</b></u>
<b>Net current assets</b>		<u><b>24,483,117</b></u>	<u><b>20,441,897</b></u>
<b>Total assets less current liabilities</b>		<u><b>61,889,341</b></u>	<u><b>58,823,577</b></u>

## NOTES

### 1. Basis of preparation

The interim financial information for the six months ended 30 June 2020 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 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The existing and potential impacts arising from the global COVID-19 pandemic have been considered in the preparation of the condensed consolidated interim financial statements. The Group has based its assumptions and estimates on circumstances and conditions available when the condensed consolidated interim financial statements were prepared. Given the uncertainty of macro conditions, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

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 2019, except as stated below.

#### The adoption of amendments to standards and framework

In 2020, the Group adopted the following amendments to standards and framework, which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

#### New standard and amendments to standards that are not yet effective

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date

The Group will adopt the above new standard and amendments to standards 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 and amendments to standards 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 losses/gains 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 and last period’s comparative amounts were restated.

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
<b>Six months ended 30 June 2020</b>					
Revenue from contracts with customers					
- Recognised at a point in time	7,045,434	1,066,302	-	-	8,111,736
- Recognised over time	-	-	-	24,770	24,770
Revenue from other sources					
- Rental income	-	-	270,215	-	270,215
Revenue	<u>7,045,434</u>	<u>1,066,302</u>	<u>270,215</u>	<u>24,770</u>	<u>8,406,721</u>
Adjusted EBITDA	<u>3,229,756</u>	<u>545,588</u>	<u>214,165</u>	<u>(146,959)</u>	<u>3,842,550</u>
Other income and expenses/losses, net					(214,609)
Depreciation and amortisation					(15,277)
Change in fair value of investment properties			(212,789)		(212,789)
Finance costs					(14,930)
Share of profits/(losses) of joint ventures	27,014	(4,226)			22,788
Share of losses of associated companies	(1,077)	(2,035)			(3,112)
Profit before taxation					<u>3,404,621</u>
Taxation charge					<u>(841,140)</u>
Profit for the period					<u>2,563,481</u>
<b>As at 30 June 2020</b>					
Segment assets	12,550,076	19,866,837	15,075,409	-	47,492,322
Other assets	-	-	-	9,549,154	9,549,154
Joint ventures	9,849,577	1,121,576	-	-	10,971,153
Associated companies	2,175,726	-	-	-	2,175,726
Total assets	<u>24,575,379</u>	<u>20,988,413</u>	<u>15,075,409</u>	<u>9,549,154</u>	<u>70,188,355</u>
Total liabilities	<u>12,998,462</u>	<u>12,633,637</u>	<u>3,051,286</u>	<u>105,461</u>	<u>28,788,846</u>

## 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 2019					
Revenue from contracts with customers					
- Recognised at a point in time	2,710,683	2,064,832	-	-	4,775,515
- Recognised over time	-	-	-	55,527	55,527
Revenue from other sources					
- Rental income	-	-	292,688	-	292,688
Revenue	2,710,683	2,064,832	292,688	55,527	5,123,730
Adjusted EBITDA	1,322,860	534,388	241,088	(125,509)	1,972,827
Other income and expenses/gains, net					(40,237)
Depreciation and amortisation					(15,506)
Change in fair value of investment properties			70,377		70,377
Finance costs					(7,027)
Share of profits/(losses) of joint ventures	81,398	(11,694)			69,704
Share of profits/(losses) of associated companies	41,800	(4,440)			37,360
Profit before taxation					2,087,498
Taxation charge					(513,432)
Profit for the period					1,574,066
As at 31 December 2019					
Segment assets	16,143,109	19,441,706	15,646,003	-	51,230,818
Other assets	-	-	-	10,347,468	10,347,468
Joint ventures	9,618,310	1,154,730	-	-	10,773,040
Associated companies	2,201,251	6,463	-	-	2,207,714
Total assets	27,962,670	20,602,899	15,646,003	10,347,468	74,559,040
Total liabilities	18,001,093	13,219,257	3,168,488	52,266	34,441,104
<b>Six months ended 30 June 2020</b>					
Additions to non-current assets	1,563	1,299	3,286	266	6,414
Six months ended 30 June 2019					
Additions to non-current assets	-	12,968	108	252	13,328

### Geographical segment information

The Group operates in two (2019: two) main geographical areas: Hong Kong and Mainland China.

The revenue for the six months ended 30 June 2020 and 2019 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 2020 and 31 December 2019 by geographical area are as follows:

## 2. Segment information (Cont'd)

Revenue	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	7,077,600	2,747,483
Mainland China	1,329,121	2,376,247
	<u>8,406,721</u>	<u>5,123,730</u>

Non-current assets	30 June 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
Hong Kong	2,780,055	2,916,034
Mainland China	12,295,837	12,624,526
Other	205	195
	<u>15,076,097</u>	<u>15,540,755</u>

## 3. Revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of properties	8,111,736	4,775,515
Rental income	270,215	292,688
Hotel operations	24,770	55,527
	<u>8,406,721</u>	<u>5,123,730</u>

## 4. Profit before taxation

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit before taxation is stated after crediting:</b>		
Interest income	61,912	52,679
Dividend income from financial assets at fair value through other comprehensive income	73,118	73,118
Net fair value gains on financial assets at fair value through profit or loss	11,911	13,151
Net exchange gains	-	1,532
<b>and after charging:</b>		
Cost of properties sold	4,261,286	2,830,522
Selling and marketing expenses	304,113	193,143
Depreciation for property, plant and equipment (net of capitalisation)	13,449	13,509
Depreciation for right-of-use assets	1,828	1,997
Lease expenses	2,132	2,296
Net fair value losses on derivative financial instruments	75,574	-
Net exchange losses	14,220	-
	<u>14,220</u>	<u>-</u>

## 5. Taxation charge

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current		
Hong Kong profits tax	449,614	204,770
Mainland China		
- Income tax	132,189	139,992
- Land appreciation tax	207,069	133,290
Over-provision in previous years	(103)	(50)
Deferred	52,371	35,430
	<b>841,140</b>	<b>513,432</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates. There is no income tax provided on other comprehensive income.

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

## 6. Earnings per share

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<b>2,555,901</b>	1,525,583
	<b>Number of shares</b>	
	2020	2019
Weighted average number of shares for calculating basic earnings per share	<b>3,125,575,000</b>	3,124,908,000
Effect of dilutive potential ordinary shares – Share options	<b>2,421,000</b>	3,926,000
Weighted average number of shares for calculating diluted earnings per share	<b>3,127,996,000</b>	3,128,834,000

## 7. Dividend

The Board has declared an interim cash dividend of HK\$218,818,000 (being 7 HK cents per share) (2019: 6 HK cents per share, totaling HK\$187,511,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2020.

## 8. Debtors and prepayments

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade debtors	<b>10,444</b>	4,046
Other debtors	<b>192,900</b>	208,739
Amounts due from non-controlling interests	<b>30,381</b>	-
Tender deposits	<b>50,000</b>	50,000
Prepayments and other deposits	<b>69,727</b>	47,281
Sales commissions	<b>22,421</b>	157,553
Sales taxes	<b>198,355</b>	157,826
	<b>574,228</b>	<b>625,445</b>

Trade debtors mainly comprise rental receivable. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one month	<b>5,581</b>	3,105
Two to three months	<b>3,159</b>	439
Four to six months	<b>1,352</b>	168
Over six months	<b>352</b>	334
	<b>10,444</b>	<b>4,046</b>

## 9. Creditors, accruals and other liabilities

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade creditors	<b>749,796</b>	886,047
Other creditors	<b>55,292</b>	79,059
Amounts due to non-controlling interests	-	19,417
Accrued operating expenses	<b>166,977</b>	218,637
Rental and other deposits received	<b>199,546</b>	206,477
Lease liabilities – current portion	<b>3,216</b>	3,201
	<b>1,174,827</b>	<b>1,412,838</b>

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

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one month	<b>743,707</b>	880,468
Two to three months	<b>659</b>	2,414
Four to six months	<b>182</b>	224
Over six months	<b>5,248</b>	2,941
	<b>749,796</b>	<b>886,047</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Operating Results

The revenue of the Group for the six months ended 30 June 2020 (“*Period*”) was HK\$8,407 million, primarily derived from the property sales of Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, The Peak in Nanjing, Phase III of Huadu Jiahua Plaza in Guangzhou, Silver Cove in Dongguan and the rental income of Shanghai K. Wah Centre. The amount was substantially above that for the same period last year as majority of the pre-sold units for Solaria completed were handed over to the buyers with revenue recognised in the Period. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$59 million) was HK\$8,466 million for the Period.

Profit attributable to equity holders of the Company was HK\$2,556 million, while underlying profit of the Group (before fair value change of investment properties) was HK\$2,736 million for the Period.

The total comprehensive income attributable to equity holders of the Company for the Period was HK\$1,335 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\$3.7 billion, mainly derived from K. Summit and Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, Silver Cove in Dongguan, J City in Jiangmen and joint venture projects in Mainland China.

As of 30 June 2020, the Group had unrecognised attributable contracted sales amounted to approximately HK\$6.3 billion, expected to be accounted for in the second half of 2020 and 2021.

#### Operation Review

##### *Hong Kong*

The Group continued to market K. Summit and Solaria during the Period. New batches of units at K. Summit were put up for sale in the Period and contracted sales of approximately HK\$1.8 billion were achieved. For Solaria, the handover of pre-sold units started in late February with the corresponding sales revenue of approximately HK\$7 billion recognised, while new contracted sales for the Period amounted to approximately HK\$0.5 billion. Construction of all projects progressed as scheduled, including the Grampian Road project and joint venture projects of Kam Sheung Road and Cheung Sha Wan.

Rental revenue dropped as concessions were granted to certain tenants whose businesses were adversely impacted by social gathering ban due to the COVID-19 pandemic during the Period. The Group’s investment properties however continued to achieve high occupancy. Our premium dining and shopping arcade J SENSES and a commercial complex at Twin Peaks, were respectively 100% and 93% let as of the Period end.

## ***Mainland China***

During the Period, despite the pandemic in Mainland China, the Group successfully marketed the remaining units of its completed projects, particularly from late March in those re-opened cities where the Group has investments: The Palace Phase III and Windermere in Shanghai, The Peak in Nanjing, J Metropolis, J Wings and the apartments in Phase III of Huadu Jiahua Plaza in Guangzhou, and Silver Cove in Dongguan. The Group also launched two new residential projects, the wholly-owned J City and a joint venture project Jiajun Garden in Jiangmen during the Period. The handover of sold units of various projects continued smoothly. On the other hand, due to the pandemic, the construction of certain developing projects had been suspended for a short period of time during and post the Chinese New Year holidays but resumed in April. The development of the projects under construction remains on schedule.

Leasing operations for our investment properties suffered from the city lockdowns in February/March to fight against the coronavirus and concessions were granted to the most affected tenants. We however saw the occupancy remain stable and the business environment improved gradually from the middle of the second quarter. Our prime office building, Shanghai K. Wah Centre in Shanghai, maintained an average occupancy of over 90% while our serviced apartments achieved an overall occupancy of around 75%. Palace Lane was fully let as of the Period end and other commercial facilities continued to achieve stable occupancy. EDGE, our new office premises with commercial portions in Jingan District, Shanghai, was launched on the market and is expected to start contributing in the second half of the year.

## **Investment in GEG**

The Group maintains the investment of 162 million shares, or an approximate 3.75% interest, in GEG carried at fair market value. As of 30 June 2020, the share price of GEG was HK\$52.75 compared with HK\$57.4 as of 31 December 2019. The change in fair value of approximately HK\$756 million was directly recorded in reserve. Dividend derived from our shareholding in GEG remained stable compared to the same period of 2019 and it is expected to continue to be a source of our recurring income.

## **OUTLOOK AND STRATEGY**

### ***Global and Mainland China***

During the Period, the global economy was severely affected by the pandemic which substantially halted global economic activity. Escalating geopolitical tensions further dampened the confidence of both consumers and investors.

Major countries recorded negative GDP growth in the first two quarters while they are still struggling against the pandemic except Mainland China which already turned around and achieved 3.2% growth in the second quarter. In Hong Kong, GDP growth recorded the worst quarterly drop since records began in 1974 of 8.9% in the first quarter which enlarged further to 9% in the second quarter and it is not expected to turn around soon.

### ***The property market in Hong Kong and Mainland China***

In response to the pandemic, ample amount of funds were injected into the market by major developed countries with a “zero or a negative interest rate policy” adopted. Together with the liquidity in the Hong Kong banking market, the pent-up underlying demand ensured a resilient residential property market, with price and transactions stable in the Period. Despite the prevailing economic slowdown and an increasing unemployment rate, the supporting fundamentals remain and the property market is not expected to see significant adjustments in the near term. On the other hand, the Mainland China property market saw stronger momentum and sales activities rebounded soon after city lockdowns were lifted. The government in response adopted lately more restrictive measures in certain cities to prevent the property market from overwhelming.

Despite the pandemic and the tension between Mainland China and US, we remain conservatively optimistic on the Hong Kong and Mainland China property markets in the medium and longer term. In the second half of 2020 or early 2021, the Group will be launching its new Hong Kong projects on Grampian Road and in Cheung Sha Wan, as well as new Mainland China projects in the Songshan Lake District of Dongguan, Suzhou and Huadu of Guangzhou, while also putting more units of launched projects onto the market, in order to meet buyers’ demand.

### ***Land bank replenishment***

The Group participated in a number of land bids in the Period and will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and Mainland China.

### ***Conclusion***

While the pandemic is escalating and vaccine(s) will not be available soon, the consequential impact of the pandemic on the world is yet to be fully reflected. Given the recent recurrence of the epidemic in Hong Kong, the economy may take a longer time to recover. Escalating geopolitical tensions, profound changes in the international landscape and the signs of de-globalisation all cast significant uncertainties and volatilities in the global economy.

Despite this challenging business environment, the Group remains cautiously optimistic about the Hong Kong and Mainland China property market demand. With a pragmatic mindset backed by our wealth of experience, the Group will overcome the prevailing challenges and continue to stably develop its business. The Group will continue to develop our existing projects and to launch projects in our pipeline depending on the market situations, as well as to replenish our land bank in a cautious and disciplined manner. The Group, with its solid financial resources and a positive outlook of property market demand in Hong Kong and Mainland China, is well positioned to grasp any opportunities in the uncertain market, both in Hong Kong and Mainland China.

## **REVIEW OF FINANCE**

### **Financial Position**

The financial position of the Group remained stable. As of 30 June 2020, total funds employed (being total equity and total borrowings and guaranteed notes) were HK\$61 billion (31 December 2019: HK\$61 billion). The number of issued shares of the Company increased to 3,125,974,615 as of 30 June 2020 (31 December 2019: 3,125,174,615) as a result of the exercise of share options during the Period.

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

The Group monitors its liquidity requirements on a short-to-medium-term basis and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2020, the Group's borrowings of bank loans and guaranteed notes were HK\$19,473 million. The maturity profile spread over a period of up to five years except for an amount of HK\$188 million which is due after 5 years and 8% of the total is repayable within one year. The average interest rate for the Group during the Period was approximately 2.5%.

In addition, the Group had available undrawn facilities totaling HK\$19,514 million, comprising HK\$13,494 million for working capital and HK\$6,020 million for project facility purposes.

As of 30 June 2020, cash and bank deposits stood at HK\$5,016 million, with approximately 67% held in Renminbi. The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, decreased from 37% as of last year end to 35% as of 30 June 2020.

A 4-year revolving credit and term loan facility of HK\$4 billion was executed in March 2020 for refinancing at favourable cost and enhancing the Group's funding capability.

## **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. Accordingly, interest rate swap contracts for the total amount of HK\$ 2.3 billion were executed for 3 years or 5 years as of the Period end.

Of the Group's bank loans and guaranteed notes of HK\$19,473 million as of 30 June 2020, approximately 92% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 83% 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 2020, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$18,895 million (31 December 2019: HK\$18,504 million) to banks in order to secure the Group's borrowing facilities.

## **Guarantees**

As of 30 June 2020, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures, amounting to HK\$7,586 million (31 December 2019: HK\$7,483 million), of which facilities totaling HK\$5,887 million (31 December 2019: HK\$5,867 million) have been utilised. In addition, the Group provided guarantees amounting to HK\$644 million (31 December 2019: HK\$1,186 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 2020, the Company has executed guarantees in favour of banks, in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK\$34,989 million (31 December 2019: HK\$32,364 million) and HK\$7,448 million (31 December 2019: HK\$7,453 million) respectively. Of these, facilities totaling HK\$17,580 million (31 December 2019: HK\$18,685 million) and HK\$5,887 million (31 December 2019: HK\$5,867 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. Pursuant to which, the Company had in July 2020 granted a total of 25,410,000 share options to the Company's directors and certain employees of the Group at an exercise price of HK\$3.462. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

## **CORPORATE GOVERNANCE**

The Board and management of the Company are committed to the principles of observing good corporate governance consistent with prudent management and enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing and ensuring adherence to the Company's Corporate Governance Policy and the Shareholders Communication Policy. The Company is committed to maintaining high standards of corporate governance and enhancing corporate transparency and accountability.

During the period of six months ended 30 June 2020, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("*Listing Rules*") on The Stock Exchange of Hong Kong Limited, 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 2019 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.

## **CHANGES IN THE BOARD**

Mr. Au Man Chu (“*Mr. Au*”) has tendered his intention to retire as Independent Non-executive Director of the Company upon completion of his service contract with the Company, with effect from 25 August 2020, in order to allocate more time for his personal affairs. Mr. Au will cease as a member of the Audit Committee of the Company on the same day. The Board would like to express its sincere gratitude to Mr. Au for his valuable advice, contribution and service to the Company during his tenure of office.

## **AUDIT COMMITTEE**

The Audit Committee of the Company met on 13 August 2020 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 2020 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 2020 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 2020.

## **INTERIM DIVIDEND**

The Board has declared an interim cash dividend for the six months ended 30 June 2020 of 7 HK cents per share, totaling HK\$218,818,000, payable on 21 October 2020 to the shareholders whose names appear on the registers of members of the Company at the close of business on 17 September 2020 (2019: an interim cash dividend of 6 HK cents per share, totaling HK\$187,511,000). It is expected that the dividend warrants will be posted to those entitled on 21 October 2020.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members will be closed from 14 September 2020 to 17 September 2020, 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 11 September 2020.

## **PUBLICATION OF FURTHER INFORMATION ON WEBSITE**

This announcement will be published on the websites of the Company ([www.kwih.com](http://www.kwih.com)) and the Hong Kong Exchanges and Clearing Limited (“*HKEx*”) ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 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 2020.

## **DIRECTORS**

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (*Chairman & Managing Director*), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. William Yip Shue Lam, Mr. Au Man Chu, Mr. Wong Kwai Lam and Mr. Nip Yun Wing.

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

Hong Kong, 20 August 2020