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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 2021

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:

- In the first half of 2021, the Group had attributable contracted sales amounted to HK\$9.6 billion.
- As of 30 June 2021, the Group had attributable contracted sales of HK\$17.4 billion in total yet to be recognised, including HK\$10.9 billion for K. Summit.
- Revenue of the Group was HK\$2,511 million and taking into account joint ventures and associated companies, total attributable revenue of the Group was HK\$3,224 million.
- Profit attributable to equity holders was HK\$776 million and underlying profit was HK\$488 million.
- Earnings per share was 24.83 HK cents and an interim dividend per share of 7 HK cents was declared.
- As of 30 June 2021, net asset value per share increased to HK\$14.4.
- The Group continues to assess any opportunities, where appropriate, to replenish its landbank in Hong Kong, and The Pearl River and Yangtze River Deltas, on a disciplined basis and in a cautious manner.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)
For the six months ended 30 June 2021

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	2,510,912	8,406,721
Cost of sales		(1,279,498)	(4,310,186)
Gross profit		1,231,414	4,096,535
Other operating income		136,355	224,960
Other net gains/(losses)		30,983	(77,656)
Fair value gain on transfer of investment properties to development properties		482,477	-
Change in fair value of investment properties		38,199	(212,789)
Other operating expenses		(195,218)	(361,913)
Administrative expenses		(324,125)	(269,262)
Finance costs		(18,111)	(14,930)
Share of profits of joint ventures		18,123	22,788
Share of profits/(losses) of associated companies		24,218	(3,112)
Profit before taxation	4	1,424,315	3,404,621
Taxation charge	5	(612,823)	(841,140)
Profit for the period		811,492	2,563,481
Attributable to:			
Equity holders of the Company		776,278	2,555,901
Non-controlling interests		35,214	7,580
		811,492	2,563,481
Earnings per share	6	<i>HK cents</i>	<i>HK cents</i>
Basic		24.83	81.77
Diluted		24.78	81.71

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	811,492	2,563,481
Other comprehensive income/(loss):		
<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	308,720	(755,551)
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation	333,787	(490,194)
Other comprehensive income/(loss) for the period	642,507	(1,245,745)
Total comprehensive income for the period	1,453,999	1,317,736
Total comprehensive income attributable to:		
Equity holders of the Company	1,401,653	1,334,535
Non-controlling interests	52,346	(16,799)
	1,453,999	1,317,736

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	(unaudited) 30 June 2021 HK\$'000	(audited) 31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		362,419	372,123
Investment properties		16,176,021	15,654,409
Right-of-use assets		25,641	19,989
Joint ventures		11,168,558	10,412,941
Associated companies		3,120,541	3,098,300
Financial assets at fair value through other comprehensive income		10,098,384	9,789,664
Deferred taxation assets		183,400	178,646
Derivative financial instruments		2,859	-
Other non-current assets		1,893,810	1,126,760
		<u>43,031,633</u>	<u>40,652,832</u>
Current assets			
Development properties		33,802,582	26,758,389
Inventories		1,554	2,201
Amount due from a joint venture		154,997	123,752
Debtors and prepayments	8	859,545	601,721
Land and tender deposits		100,000	3,459,007
Derivative financial instruments		-	3,971
Financial assets at fair value through profit or loss		775,075	1,971,876
Taxes recoverable		817,850	506,839
Cash and cash equivalents		5,965,686	7,673,477
		<u>42,477,289</u>	<u>41,101,233</u>
Total assets		<u>85,508,922</u>	<u>81,754,065</u>
EQUITY			
Share capital		312,697	312,697
Reserves		44,671,379	43,264,074
Shareholders' funds		<u>44,984,076</u>	<u>43,576,771</u>
Non-controlling interests		1,303,882	1,248,191
Total equity		<u>46,287,958</u>	<u>44,824,962</u>
LIABILITIES			
Non-current liabilities			
Borrowings		14,101,778	19,525,695
Derivative financial instruments		70,934	97,837
Lease liabilities		8,157	3,912
Deferred taxation liabilities		2,883,423	2,724,238
		<u>17,064,292</u>	<u>22,351,682</u>
Current liabilities			
Amounts due to joint ventures		755,383	650,102
Amounts due to associated companies		130,849	143,715
Creditors, accruals and other liabilities	9	1,405,789	1,558,864
Pre-sales deposits		9,487,907	3,756,539
Current portion of borrowings		6,649,955	4,513,818
Guaranteed notes		552,810	1,002,354
Taxes payable		3,173,979	2,952,029
		<u>22,156,672</u>	<u>14,577,421</u>
Total liabilities		<u>39,220,964</u>	<u>36,929,103</u>
Total equity and liabilities		<u>85,508,922</u>	<u>81,754,065</u>
Net current assets		<u>20,320,617</u>	<u>26,523,812</u>
Total assets less current liabilities		<u>63,352,250</u>	<u>67,176,644</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2021 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 2020 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 2020, except as stated below.

The adoption of amendments to standards

In 2021, the Group adopted the following amendments to standards, which are relevant to its operations.

HKFRS 16 (Amendment)	COVID-19-related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2

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

New standard, amendments and improvements to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Amendment)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date
Annual Improvements to HKFRSs 2018–2020 Cycle		1 January 2022

The Group will adopt the above new standard, amendments and improvements 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, amendments and improvements 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 gains/losses, fair value gain on transfer of investment properties to development properties and change in fair value of investment properties. The Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Segment assets represent total assets excluding joint ventures, associated companies and other assets. Other assets include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021					
Revenue from contracts with customers					
- Recognised at a point in time	724,908	1,424,620	-	-	2,149,528
- Recognised over time	-	-	-	30,108	30,108
Revenue from other sources					
- Rental income	-	-	331,276	-	331,276
Revenue	724,908	1,424,620	331,276	30,108	2,510,912
Adjusted EBITDA	363,612	440,662	263,678	(144,390)	923,562
Other income and expenses/gains, net					(27,880)
Depreciation and amortisation					(16,273)
Fair value gain on transfer of investment properties to development properties			482,477		482,477
Change in fair value of investment properties			38,199		38,199
Finance costs					(18,111)
Share of (losses)/profits of joint ventures	(12,689)	30,812			18,123
Share of (losses)/profits of associated companies	(3,153)	27,371			24,218
Profit before taxation					1,424,315
Taxation charge					(612,823)
Profit for the period					811,492
As at 30 June 2021					
Segment assets	15,036,533	28,887,960	16,594,673	-	60,519,166
Other assets	-	-	-	10,545,660	10,545,660
Joint ventures	9,493,596	1,829,959	-	-	11,323,555
Associated companies	3,095,967	24,574	-	-	3,120,541
Total assets	27,626,096	30,742,493	16,594,673	10,545,660	85,508,922
Total liabilities	16,204,406	19,370,818	3,535,259	110,481	39,220,964

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 2020					
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	7,045,434	1,066,302	270,215	24,770	8,406,721
Adjusted EBITDA	3,229,756	545,588	214,165	(146,959)	3,842,550
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					3,404,621
Taxation charge					(841,140)
Profit for the period					2,563,481
As at 31 December 2020					
Segment assets	14,256,743	27,421,051	16,211,050	-	57,888,844
Other assets	-	-	-	10,230,228	10,230,228
Joint ventures	9,468,521	1,068,172	-	-	10,536,693
Associated companies	3,098,300	-	-	-	3,098,300
Total assets	26,823,564	28,489,223	16,211,050	10,230,228	81,754,065
Total liabilities	16,389,529	16,998,310	3,391,612	149,652	36,929,103
Six months ended 30 June 2021					
Additions to non-current assets	716	9,501	972,587	278	983,082
Six months ended 30 June 2020					
Additions to non-current assets	1,563	1,299	3,286	266	6,414

Geographical segment information

The Group operates in two (2020: two) main geographical areas: Hong Kong and Mainland China.

The revenue for the six months ended 30 June 2021 and 2020 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 2021 and 31 December 2020 by geographical area are as follows:

2. Segment information (Cont'd)

Revenue	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	758,472	7,077,600
Mainland China	<u>1,752,440</u>	<u>1,329,121</u>
	<u>2,510,912</u>	<u>8,406,721</u>

Non-current assets	30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Hong Kong	2,719,050	2,719,619
Mainland China	13,844,889	13,326,717
Other	<u>142</u>	<u>185</u>
	<u>16,564,081</u>	<u>16,046,521</u>

3. Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of properties	2,149,528	8,111,736
Rental income	331,276	270,215
Hotel operations	<u>30,108</u>	<u>24,770</u>
	<u>2,510,912</u>	<u>8,406,721</u>

4. Profit before taxation

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	83,052	61,912
Dividend income from financial assets at fair value through other comprehensive income	-	73,118
Gain on disposal of investment property	4,555	-
Net fair value gains on derivative financial instruments	25,791	-
Net fair value gains on financial assets at fair value through profit or loss	12,492	11,911
Net exchange gains	7,421	-
and after charging:		
Cost of properties sold	1,219,024	4,261,286
Selling and marketing expenses	139,773	304,113
Depreciation for property, plant and equipment (net of capitalisation)	13,595	13,449
Depreciation for right-of-use assets	2,678	1,828
Lease expenses	3,983	2,132
Net loss on settlement of derivative financial instruments	17,880	-
Net fair value losses on derivative financial instruments	-	75,574
Net exchange losses	<u>-</u>	<u>14,220</u>

5. Taxation charge

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
Hong Kong profits tax	53,310	449,614
Mainland China		
- Income tax	112,779	132,189
- Land appreciation tax	318,124	207,069
Over-provision in previous years	-	(103)
Deferred	128,610	52,371
	<u>612,823</u>	<u>841,140</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated for the period in Mainland China has been provided at the rates of 25% (2020: 25%). There is no income tax provided on other comprehensive income.

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

6. Earnings per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>776,278</u>	<u>2,555,901</u>
	Number of shares	
	2021	2020
Weighted average number of shares for calculating basic earnings per share	3,126,974,615	3,125,574,615
Effect of dilutive potential ordinary shares – Share options	5,237,526	2,421,884
Weighted average number of shares for calculating diluted earnings per share	<u>3,132,212,141</u>	<u>3,127,996,499</u>

7. Dividend

The Board has declared an interim cash dividend of HK\$218,888,000 (being 7 HK cents per share) (2020: 7 HK cents per share, totaling HK\$218,888,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021.

8. Debtors and prepayments

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	9,561	9,079
Other debtors	231,643	229,132
Amounts due from non-controlling interests	46,869	-
Prepayments and other deposits	85,622	101,935
Sales commissions	230,970	69,195
Sales taxes	254,880	192,380
	859,545	601,721

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

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

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	7,260	4,011
Two to three months	1,888	3,784
Four to six months	274	1,284
Over six months	139	-
	9,561	9,079

9. Creditors, accruals and other liabilities

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	831,531	959,393
Other creditors	105,870	98,119
Amounts due to non-controlling interests	-	19,713
Accrued operating expenses	226,573	250,376
Rental and other deposits received	236,323	227,689
Lease liabilities – current portion	5,492	3,574
	1,405,789	1,558,864

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

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	825,492	954,411
Two to three months	2,296	2,153
Four to six months	1,480	30
Over six months	2,263	2,799
	831,531	959,393

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2021 (“*Period*”) was HK\$2,511 million, mainly derived from the property sales of Solaria in Hong Kong, Windermere and Phase III of The Palace in Shanghai, as well as the rental income of Shanghai K. Wah Centre. The decrease in revenue was mainly due to less pre-sold properties delivered to buyers in the Period comparing to the same period last year. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$713 million) was HK\$3,224 million for the Period.

Profit attributable to equity holders of the Company was HK\$776 million, while underlying profit of the Group (before fair value change of investment properties) was HK\$488 million for the Period.

The total comprehensive income attributable to equity holders of the Company for the Period was HK\$1,402 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\$9.6 billion, mainly derived from K. Summit, Solaria and Grand Victoria in Hong Kong; and Azure and Windermere in Shanghai and Bayview in Dongguan, Mainland China.

As of 30 June 2021, the Group had unrecognised attributable contracted sales amounted to approximately HK\$17.4 billion, expected to be accounted for in the second half of 2021 and 2022.

Operation Review

Hong Kong

The Group continued to market K. Summit and Solaria during the Period. More units at K. Summit were put up for sale, achieving contracted sales of HK\$3.7 billion in the Period and HK\$10.9 billion in total as of the Period end. Grand Victoria in South West Kowloon, a joint venture project, was first launched for sale in March and has been well received by the market. The Group obtained the occupation permit of K. Summit in May and has filed the application for the certificate of compliance. The delivery of pre-sold units for K. Summit will commence upon obtaining the certificate of compliance. Construction of other projects has also progressed as scheduled.

The Group’s investment properties continued to maintain satisfactory occupancy, resulting in moderate rental revenue increment in the Period amid the improving business environment. Our premium dining and shopping arcade J SENSES and a commercial complex at Twin Peaks were both fully let as of the Period end.

Mainland China

During the Period, the Group marketed the remaining units of its various projects and launched new batches of Bayview in Dongguan, J City and a joint venture project, Jiajun Garden, both in Jiangmen, with the majority of the units launched sold. The Group also launched two new wholly-owned projects, Cosmo in Guangzhou as well as Azure in Shanghai, and a 30%-owned project, Ziwei Gongguan, in Jiangmen.

In view of the strong demand for quality housing in Jinqiao District, Shanghai, the Group has decided to change its intention from operating Azure's serviced apartments for long term to properties held for sale. A gain was recorded in the Period at the time of the transfer. All units at Azure, including both the serviced apartments and other residential units on hand, were successfully sold on its launch for sale in May, resulting in sales amounting to approximately RMB2.4 billion.

The handover of sold units of various completed projects continued smoothly and the development of projects under construction also progressed as scheduled.

Occupancy of the Group's investment properties remained satisfactory throughout the Period. Our prime office building, Shanghai K. Wah Centre, maintained occupancy of over 95% while our serviced apartments, Stanford Residences Jing An and Stanford Residences Xu Hui, both achieved an average occupancy of 90%. EDGE, our new office premises with commercial portions in Jingan District, Shanghai, became operational in the second half of last year and was fully let as of Period end.

A garden house with a GFA of approximately 600 square metres, adjacent to the office/commercial project at Wuyi Road, Changning District, Shanghai, was acquired in March in order to widen the project's street-front view.

Investment in GEG

The Group maintains the investment of 162 million shares, or an approximate 3.73% interest, in GEG carried at fair market value. As of 30 June 2021, the share price of GEG was HK\$62.15 as compared with HK\$60.25 as of 31 December 2020. The increase in fair value of approximately HK\$309 million was directly recorded in reserve.

MARKET REVIEW AND OUTLOOK

Global, Mainland China and Hong Kong

During the Period, the economies of major countries rebounded following global roll-out of vaccination campaigns. Economic activities substantially resumed amid monetary easing policies by major countries. Escalating geopolitical tensions, in particular, between Mainland China and the United States, however had mixed impacts on various industry sectors in Mainland China and Hong Kong stock markets.

Major countries recorded positive GDP growth in the first two quarters with Mainland China continued to outperform which achieved a 12.7% growth in the first half of the year. In Hong Kong, GDP also rebounded and achieved a growth of 7.8% in the first half of the year.

The property market in Hong Kong and Mainland China

To boost economic growth against negative impacts of the pandemic, funds continued to be injected into the market by major countries with a “zero or a negative interest rate policy” remained. Together with the liquidity in the Hong Kong banking market, the underlying demand ensured a resilient residential property market, with an increment in both prices and transactions in the Period. Despite social distancing measures are still in place, economic activities in Hong Kong are gradually recovering and the unemployment rate has improved. These supporting fundamentals remain and the property market is expected to remain stable.

On the other hand, the Mainland China property market saw stronger momentum in last year and early this year after city lockdowns were lifted. The Central Government reiterated the principle of “housing for living in, not for speculation” and adopted more comprehensive restrictive measures to regulate land tenders, property transactions in both the primary and secondary markets as well as property related lending to developers and purchasers, etc. in order to maintain a healthy and sustainable development in the property market.

In late July, the Group launched for sales the first batch of units in VETTA, its new project in Suzhou, which was well received. In the second half of 2021 to early 2022, the Group plans to launch its new Hong Kong luxury residential project on Grampian Road and three joint venture projects, including Kam Sheung Road Station project in Yuen Long, LOHAS Park Package Eleven project in Tseung Kwan O and Kai Tak Area 4A Site 1 project, as well as new Mainland China projects in Jiangning District, Nanjing and in Lujiazui District, Shanghai, and the newly participated joint venture project in Hongkou District, Shanghai. The Group will also be putting more units of launched projects onto the market to meet buyers’ demand.

Land bank replenishment

In April, the Group participated in a joint venture, in which it holds a 49% interest, to jointly develop a site in Hongkou District, Shanghai with a total GFA of approximately 47,000 square metres for residential units and commercial facilities. The Group also 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

Though vaccination campaigns are being rolled out globally and the pandemic is more under control now, a wider spread of COVID-19 mutant strains has caused uncertainties on when the pandemic and its negative impacts can be over. Escalating geopolitical tensions, profound changes in the international landscape and signs of de-globalization continue to cast uncertainties and volatilities in the global economy. Latest inflation trend and any changes in policies to be adopted by major countries’ central banks have also made future economic growth less visible.

Despite this challenging business environment, the Group remains optimistic and has a positive outlook for demand in both the Hong Kong and Mainland China property markets. The Group will benefit from opportunities arising from co-operation among cities in the Greater Bay Area and Mainland China’s sustainable development under the 14th “Five Year Plan”. With a pragmatic mindset, backed by our wealth of experience, we are indeed well positioned to continue to deliver distinctive quality products and services with both functionality and floor plan design meeting buyers’ needs and enhancing the value of the properties they acquire. The Group will continue to launch our projects, subject to market conditions. The Group will also, with our solid financial resources, replenish our land bank and pursue any opportunities in the markets in a disciplined and selective manner, subject to any policy changes in the land markets in Hong Kong and Mainland China.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory. As of 30 June 2021, total funds employed (being total equity and total borrowings and guaranteed notes) were HK\$68 billion (31 December 2020: HK\$70 billion). The number of issued shares of the Company was 3,126,974,615 as of 30 June 2021, the same as last year end.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short-to-medium-term rolling basis and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2021, the Group's borrowings of bank loans and guaranteed notes were HK\$21,305 million (31 December 2020: HK\$25,042 million) and 34% is repayable within one year. The maturity profile of the borrowings is spread over a period of up to five years except for an amount of HK\$218 million which is due after five years. The average interest rate for the Group during the Period decrease from 2.1% of last year to 1.6%.

In addition, the Group had available undrawn banking facilities totaling HK\$13,567 million (31 December 2020: HK\$12,146 million), comprising HK\$9,840 million (31 December 2020: HK\$7,720 million) for working capital and HK\$3,727 million (31 December 2020: HK\$4,426 million) for project facility purposes.

As of 30 June 2021, cash and bank deposits stood at HK\$5,966 million (31 December 2020: HK\$7,673 million), with approximately 56% held in Renminbi. The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, decreased from 39% as of last year end to 33% as of 30 June 2021, resulting from a net cash inflow.

A three-year revolving credit and term loan facility of HK\$500 million was executed in June 2021 at favourable cost and enhancing the Group's funding capability. For the guaranteed notes, face value of HK\$450 million was redeemed in March 2021 and the rest of HK\$550 million will be settled in the second half of 2021.

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to mitigate the impact of any undue interest rate fluctuations on the Group's operations in the medium and longer term. Accordingly, interest rate swap contracts for a total amount of HK\$ 2.9 billion were executed for three years or five years as of the Period end.

Of the Group's bank loans and guaranteed notes of HK\$21,305 million as of 30 June 2021, approximately 86% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 84% of such borrowings and notes were on a floating rate basis, with the remainder on a fixed rate basis.

Charges on Group Assets

As of 30 June 2021, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK\$14,179 million (31 December 2020: HK\$22,003 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2021, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies, amounting to HK\$11,962 million (31 December 2020: HK\$10,110 million), of which facilities totaling HK\$8,012 million (31 December 2020: HK\$6,614 million) have been utilised. In addition, the Group provided guarantees amounting to HK\$1,003 million (31 December 2020: HK\$627 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 2021, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries, and joint ventures and associated companies, amounting to HK\$30,109 million (31 December 2020: HK\$32,191 million) and HK\$9,945 million (31 December 2020: HK\$9,961 million) respectively. Of these, facilities totaling HK\$19,034 million (31 December 2020: HK\$22,712 million) and HK\$6,732 million (31 December 2020: HK\$6,589 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

The Group believes its long-term growth and success depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate talents. With result-driven incentive programmes which are built upon our established performance management framework, the Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

CORPORATE GOVERNANCE

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

During the period of six months ended 30 June 2021, 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 2020 Annual Report still holds. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

AUDIT COMMITTEE

The Audit Committee of the Company met on 17 August 2021 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 2021 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 2021 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 2021.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2021 of 7 HK cents per share, totaling HK\$218,888,000, payable on 28 October 2021 to the shareholders whose names appear on the registers of members of the Company at the close of business on 17 September 2021 (2020: an interim cash dividend of 7 HK cents per share, totaling HK\$218,888,000). It is expected that the dividend warrants will be posted to those entitled on 28 October 2021.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 September 2021 to 17 September 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 September 2021.

PUBLICATION OF FURTHER INFORMATION ON WEBSITE

This announcement will be published on the websites of the Company (www.kwih.com) and the Hong Kong Exchanges and Clearing Limited (“*HKEx*”) (www.hkexnews.hk). The 2021 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 2021.

DIRECTORS

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

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

Hong Kong, 24 August 2021