



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

(Incorporated in Bermuda with limited liability)  
(Stock Code: 173)

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2007**

**INTERIM RESULTS HIGHLIGHTS**

The Board of Directors (“Board”) of K. Wah International Holdings Limited (“Company”) is pleased to announce the unaudited interim results for the six months ended 30 June 2007 (“Period”) of the Company and its subsidiaries (“Group”) as follows:

- Turnover was HK\$1,759 million (2006: HK\$129 million)
- Operating profit was HK\$576 million (2006: HK\$598 million)
- Profit for the period was HK\$588 million (2006: HK\$366 million)
- Profit attributable to shareholders was HK\$439 million (2006: HK\$108 million)
- Earnings per share was 18.06 HK cents (2006: 4.52 HK cents)

**INTERIM DIVIDEND**

The Board has declared an interim cash dividend for the Period of 2.5 HK cents per share, totaling HK\$61,364,000, payable on 9 November 2007 to the shareholders whose names appear on the registers of members of the Company at the close of business on 12 October 2007 (2006: an interim scrip dividend (with a cash option) of 1 HK cent per share totaling HK\$24,187,000).

## CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)

**For the six months ended 30 June 2007**

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	2	<b>1,758,554</b>	129,203
Cost of sales		<b>(1,286,769)</b>	(35,376)
Gross profit		<b>471,785</b>	93,827
Other operating income		<b>67,386</b>	28,530
Administrative expenses		<b>(61,183)</b>	(59,826)
Other operating expenses		<b>(1,224)</b>	(1,413)
Change in fair value of investment properties		<b>99,365</b>	537,139
Operating profit	2 & 3	<b>576,129</b>	598,257
Finance costs		<b>(40,880)</b>	(48,222)
Share of profits less losses of jointly controlled entities		<b>152,005</b>	1,843
Profit before taxation		<b>687,254</b>	551,878
Taxation charge	4	<b>(98,933)</b>	(185,694)
<b>Profit for the period</b>		<b><u>588,321</u></b>	<b><u>366,184</u></b>
Attributable to:			
Shareholders		<b>439,487</b>	108,277
Minority interests		<b>148,834</b>	257,907
		<b><u>588,321</u></b>	<b><u>366,184</u></b>
Interim dividend	6	<b><u>61,364</u></b>	<b><u>24,187</u></b>
Earnings per share	5	<i>HK cents</i>	<i>HK cents</i>
Basic		<b>18.06</b>	4.52
Diluted		<b><u>17.89</u></b>	<b><u>4.49</u></b>

**CONSOLIDATED BALANCE SHEET (unaudited)**  
**As at 30 June 2007**

	<b>30 June</b>	31 December
	<b>2007</b>	2006
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	53,857	54,297
Investment properties	3,237,766	3,367,669
Leasehold land and land use rights	69,426	69,780
Jointly controlled entities	1,484,344	575,502
Non-current investments	4,686,178	4,477,084
Other non-current assets	8,317	9,592
	<u>9,539,888</u>	<u>8,553,924</u>
<b>Current assets</b>		
Development properties	5,485,673	5,309,940
Debtors and prepayments	7 259,437	283,504
Tax recoverable	1,441	46,590
Cash and bank balances	593,781	741,060
	<u>6,340,332</u>	<u>6,381,094</u>
<b>Total assets</b>	<u><b>15,880,220</b></u>	<u><b>14,935,018</b></u>
<b>EQUITY</b>		
Share capital	243,505	242,995
Reserves	7,892,250	7,221,368
Shareholders' funds	8,135,755	7,464,363
Minority interests	1,034,280	856,817
<b>Total equity</b>	<u><b>9,170,035</b></u>	<u><b>8,321,180</b></u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,717,088	1,914,731
Deferred taxation liabilities	438,839	524,085
	<u>3,155,927</u>	<u>2,438,816</u>
<b>Current liabilities</b>		
Creditors and accruals	8 1,961,084	2,967,505
Current portion of borrowings	1,391,500	1,196,256
Tax payable	140,805	11,261
Dividend payable	60,869	-
	<u>3,554,258</u>	<u>4,175,022</u>
<b>Total liabilities</b>	<u><b>6,710,185</b></u>	<u><b>6,613,838</b></u>
<b>Total equity and liabilities</b>	<u><b>15,880,220</b></u>	<u><b>14,935,018</b></u>

## NOTES

### 1. Basis of preparation

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and non-current investments, which are carried at fair value and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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 2006.

In 2007, the Group adopted the new standard, amendment and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”), which are relevant to its operations, set out below.

- |                      |   |
|----------------------|---|
| ● HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| ● HK(IFRIC) – Int 8  | Scope of HKFRS 2  |
| ● HK(IFRIC) – Int 9  | Reassessment of Embedded Derivatives                      |
| ● HK(IFRIC) – Int 10 | Interim Reporting and Impairment                          |
| ● HKFRS 7            | Financial Instruments: Disclosures                        |

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there is no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual financial statements.

### 2. Segment information

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In Japan, the Group carries on trading of plant and machinery. There are no other significant identifiable separate businesses. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, properties, debtors and prepayments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

2. Segment information (Cont'd)  
(A) BUSINESS SEGMENTS

	Properties <i>HK\$000</i>	Trading <i>HK\$000</i>	Unallocated <i>HK\$000</i>	Total <i>HK\$000</i>
<b>Six months ended 30 June 2007</b>				
Turnover	<b>1,637,319</b>	<b>121,235</b>	—	<b>1,758,554</b>
Operating profit	<b>509,303</b>	<b>2,856</b>	<b>63,970</b>	<b>576,129</b>
Finance costs				<b>(40,880)</b>
Share of profits less losses of jointly controlled entities	<b>152,005</b>	—	—	<b>152,005</b>
Profit before taxation				<b>687,254</b>
Taxation charge				<b>(98,933)</b>
Profit for the period				<b>588,321</b>
Capital expenditure	<b>(814)</b>	<b>(521)</b>	—	<b>(1,335)</b>
Depreciation	<b>(1,524)</b>	—	—	<b>(1,524)</b>
Amortisation	<b>(2,647)</b>	—	—	<b>(2,647)</b>
Change in fair value of investment properties	<b>99,365</b>	—	—	<b>99,365</b>
<b>Six months ended 30 June 2006</b>				
Turnover	<b>98,465</b>	<b>30,738</b>	—	<b>129,203</b>
Operating profit	<b>594,513</b>	<b>1,693</b>	<b>2,051</b>	<b>598,257</b>
Finance costs				<b>(48,222)</b>
Share of profits less losses of jointly controlled entities	<b>1,843</b>	—	—	<b>1,843</b>
Profit before taxation				<b>551,878</b>
Taxation charge				<b>(185,694)</b>
Profit for the period				<b>366,184</b>
Capital expenditure	<b>(2,874)</b>	<b>(69)</b>	—	<b>(2,943)</b>
Depreciation	<b>(1,487)</b>	—	—	<b>(1,487)</b>
Amortisation	<b>(2,204)</b>	—	—	<b>(2,204)</b>
Fair value gain on other investments	—	—	<b>4,988</b>	<b>4,988</b>
Change in fair value of investment properties	<b>537,139</b>	—	—	<b>537,139</b>

## 2. Segment information (Cont'd)

### (B) GEOGRAPHICAL SEGMENTS

	Turnover		Operating profit/(loss)	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June</b>				
Hong Kong	4,887	5,821	(12,508)	(14,060)
Mainland China	1,625,936	84,127	550,579	604,735
Singapore	6,496	8,517	35,174	5,889
Japan	121,235	30,738	2,884	1,693
	<b>1,758,554</b>	<b>129,203</b>	<b>576,129</b>	<b>598,257</b>

## 3. Operating profit

	2007	2006
	HK\$'000	HK\$'000
<b>Operating profit is stated after crediting:</b>		
Exchange gain	37,789	17,843
Fair value gain on other investments	—	4,988
Interest income	27,913	3,266
Gain on disposal of property, plant and equipment	50	—
<b>and after charging :</b>		
Cost of inventories sold	115,008	25,815
Depreciation (net of capitalisation)	1,524	1,487
Amortisation for leasehold land and land use rights (net of capitalisation)	2,647	2,204
Operating lease rental for land and buildings	1,800	2,160
Loss on disposal of property, plant and equipment	—	56

## 4. Taxation charge

	2007	2006
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	6	12
Overseas taxation	197,670	168
Deferred taxation	(98,743)	185,514
	<b>98,933</b>	<b>185,694</b>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

Share of taxation credit of jointly controlled entities for the six months ended 30 June 2007 amounting to HK\$10,316,000 (2006: charge of HK\$1,017,000) was included in the profit and loss statement under share of profits less losses of jointly controlled entities.

#### 4. Taxation charge (Cont'd)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law in Mainland China ("New CIT Law"), which will reduce the corporate income tax rate from 33% to 25% with effect from 1 January 2008. Consequently, the Group has reassessed the amount of deferred taxation liabilities based on the revised tax rate of the New CIT Law. As a result, deferred taxation liabilities of the Group and jointly controlled entities amounting to HK\$130,817,000 and HK\$2,702,000 respectively, have been written back during the six months ended 30 June 2007.

#### 5. Earnings per share

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to shareholders	439,487	108,277
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	677	1,274
Profit for calculation of diluted earnings per share	<u>440,164</u>	<u>109,551</u>
	2007	2006
Weighted average number of shares for calculating basic earnings per share	2,433,459,000	2,394,314,000
Effect of dilutive potential ordinary shares		
Share options	5,708,000	4,991,000
Convertible bonds	21,277,000	39,096,000
Weighted average number of shares for calculating diluted earnings per share	<u>2,460,444,000</u>	<u>2,438,401,000</u>

#### 6. Interim dividend

The Board has declared an interim cash dividend of HK\$61,364,000 (being 2.5 HK cents per share) (2006: an interim scrip dividend (with a cash option) of 1 HK cent per share, totaling HK\$24,187,000). This amount will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2007.

#### 7. Debtors and prepayments

	30 June 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Trade debtors	6,102	12,713
Other debtors	43,932	70,447
Prepayments and deposits	209,403	200,344
	<u>259,437</u>	<u>283,504</u>

## 7. Debtors and prepayments (Cont'd)

Trade debtors mainly comprise sale of goods and rental. Rental from tenants is due and payable in advance. Sales terms of goods vary and are determined with reference to the prevailing market conditions.

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 2007 HK\$'000</b>	31 December 2006 HK\$'000
Within one month	<b>3,013</b>	5,923
Two to three months	<b>184</b>	2,492
Four to six months	<b>32</b>	2
Over six months	<b>2,873</b>	4,296
	<b>6,102</b>	12,713

## 8. Creditors and accruals

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Trade creditors	<b>338,292</b>	160,331
Other creditors	<b>23,648</b>	18,993
Amounts due to jointly controlled entities	<b>76,507</b>	76,507
Amounts due to minority shareholders	<b>104,354</b>	107,026
Accrued operating expenses	<b>22,909</b>	17,586
Advanced proceeds on sale of properties	<b>1,326,198</b>	2,521,869
Deposits received	<b>69,176</b>	65,193
	<b>1,961,084</b>	2,967,505

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

	<b>30 June 2007 HK\$'000</b>	31 December 2006 HK\$'000
Within one month	<b>332,875</b>	157,736
Two to three months	<b>5,392</b>	2,376
Four to six months	<b>25</b>	77
Over six months	—	142
	<b>338,292</b>	160,331



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **(I) BUSINESS REVIEW AND OUTLOOK**

#### **Operating Results**

Turnover for the Period was HK\$1,759 million as compared to HK\$129 million for same period last year. The increase in turnover was mainly due to the recognition of the sales of Shanghai Westwood Phase I during the Period. Profit attributable to shareholders increased by 306% to HK\$439 million.

#### **Property Development and Investment in Mainland China**

Mainland China's economy continued to grow during the Period. Despite various policies and measures introduced by the Central Government, property market in core cities has remained active. Second-tier cities also attract interest of foreign investments.

Virtually all the residential units of Shanghai Westwood Phase I have been sold. Construction of Phase II has commenced and presale is expected for 2008. Other existing development projects were progressing in accordance with schedules.

The Group has commenced construction at its Guangzhou Huadu project in April of this year. The site is near to the New Baiyun International Airport and will be turned into an integrated hotel, offices and premium residential development with expected completion by 2009. The Group has also commenced phase development on its 2nd residential project, also at Huadu, Guangzhou with a gross floor area over 10 million sq. ft.

We are also looking for suitable sites and investment opportunities in other second-tier cities such as Qingdao, Kunming and Wuxi. With our extensive experience and expertise in property development in Mainland China, we believe that the expansion into these second-tier cities will put the Group in a long term sustainable growth path.

#### **Property Development and Investment in Hong Kong**

Economic rally continued during the Period and the property market had regained its momentum. The Group has entered in joint ventures (respectively, 25% and 15%) with other developers to develop two pieces of premium residential lands at Pak Shek Kok Reclamation area, Tai Po and Hoi Wan Road site in West Kowloon Reclamation area.

It is expected that The Great Hill and J Residence will be completed in the second half of 2007 when the sale revenue and profits will be recognized accordingly.

### **Investment in Galaxy Entertainment Group Limited (GEG)**

The Group continues to hold its strategic investment in GEG which is being carried at fair value. As of 30 June 2007, the share price of GEG was HK\$7.62 as compared to HK\$7.28 at 31 December 2006. The increase in fair value of approximately HK\$209 million was recorded in reserve.

### **Post Balance Sheet Event**

On 8 August 2007, the Group, through public land auction in Mainland China, has acquired one piece of land in Guangzhou Huadu for residential development at a consideration of RMB206 million. The land has a site area of approximately 454,000 sq. ft.

## **(II) FINANCIAL REVIEW**

### **Financial Position**

The financial position of the Group remains strong. As of 30 June 2007, total equity increased to HK\$9,170 million from HK\$8,321 million at 31 December 2006.

The number of the issued shares of the Company increased as a result of the exercise of share options during the Period. The dilution effect, however, was offset by the profits for the Period.

### **Liquidity and Gearing Ratio**

Cash and bank balances as of 30 June 2007 stood at HK\$594 million and the gearing ratio, defined as the total loans outstanding less cash balances to total assets, stayed at a healthy level of 23%.

The Group's liquidity position remains strong and the Group possesses sufficient cash and substantial banking facilities to meet its working capital requirements, future acquisitions and investments.

### **Treasury Policies**

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimize risk. The majority of the Group's borrowings are in Hong Kong Dollar. Forward foreign exchange contracts are utilized when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposures. Interest rate swap contracts are also utilized when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the Period, the Group has not engaged in the use of derivative products.

### **Charges on Group Assets**

As of 30 June 2007, investment properties and buildings with carrying values of HK\$3,097 million (31 December 2006: HK\$3,230 million) and HK\$42 million (31 December 2006: HK\$42 million) respectively were pledged to banks to secure the Group's borrowing facilities.

### **Guarantees**

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and jointly controlled entities amounting to HK\$5,161 million (31 December 2006: HK\$4,557 million) and HK\$1,225 million (31 December 2006: nil) respectively, of which HK\$3,015 million (31 December 2006: HK\$2,030 million) and HK\$738 million (31 December 2006: nil) have been utilised respectively.

The Company has executed guarantees in favour of convertible bondholders in respect of the convertible bonds issued by a subsidiary. The outstanding amount of such convertible bonds was HK\$40 million (31 December 2006: HK\$40 million) as of 30 June 2007.

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.

## **CORPORATE GOVERNANCE**

During the Period, save for Code Provision A.4.2, the Company has complied with all the provisions in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. The Board believes that the underlying rationale for such a deviation, as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14" in the Corporate Governance Report of its 2006 Annual Report, still holds. The Board will continue to review and recommend such steps and action as appropriate in the circumstances of such deviation. The Company has amended its Bye-laws bringing them in line with the requirements of Appendix 3 to the Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has met on 7 September 2007 and reviewed the Company's accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters. The Group's unaudited interim results for the Period have been reviewed by the Audit Committee of the Company and by the Company's independent auditors – PricewaterhouseCoopers.

## **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 shares or convertible bonds during the Period.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members will be closed from 8 October 2007 to 12 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, shareholders must ensure that all duly completed transfers together with the relevant share certificates are lodged with the Company's Branch Share Registrars 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 5 October 2007.

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

This interim results announcement is published on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). The 2007 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 the HKEx in late September 2007.

## **DIRECTORS**

As at the date of this announcement, the Executive Directors are Dr. Che-woo Lui (Chairman), Mr. Francis Lui Yiu Tung, Mr. Eddie Hui Ki On, Mr. Lennon Lun Tsan Kau and Ms. Paddy Tang Lui Wai Yu; the Non-executive Directors are Mr. Michael Leung Man Kin and Dr. Philip Wong Kin Hang; and the Independent Non-executive Directors are Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun, and Mr. Robert George Nield.

By Order of the Board  
**Ricky Chan Ming Tak**  
*Company Secretary*

Hong Kong, 13 September 2007

Principal Place of Business in Hong Kong:  
29th Floor, K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

Website: <http://www.kwih.com>