嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
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 2023

INTERIM RESULTS HIGHLIGHTS

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

- Revenue of the Group was HK$3,100 million, whereas profit attributable to equity holders was HK$482 million.
- Attributable contracted sales of the Group for the Period amounted to HK$4 billion.
- As of 30 June 2023, the Group had attributable contracted sales of HK$18.6 billion in total yet to be recognised.
- Earnings per share was 15.4 HK cents and an interim dividend per share of 7 HK cents was declared.
- As of 30 June 2023, net asset value per share was HK$13.8.
- The Group, with its financial resources, will continue 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 2023

	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	3	**3,100,250**	5,391,730
Cost of sales		**(2,015,358)**	(3,686,276)
Gross profit		**1,084,892**	1,705,454
Other operating income		**293,798**	261,174
Other net gains		**90,131**	126,324
Change in fair value of investment properties		**(48,105)**	25,329
Other operating expenses		**(195,600)**	(324,721)
Administrative expenses		**(323,109)**	(336,768)
Finance costs		**(71,791)**	(30,135)
Share of losses of joint ventures		**(6,538)**	(16,225)
Share of profits of associated companies		**1,860**	18,210
Profit before taxation	4	**825,538**	1,428,642
Taxation charge	5	**(314,936)**	(318,915)
Profit for the period		**510,602**	1,109,727
Attributable to:			
Equity holders of the Company		**481,907**	1,081,087
Non-controlling interests		**28,695**	28,640
		510,602	1,109,727
		HK cents	*HK cents*
Earnings per share	6		
Basic		**15.38**	34.51
Diluted		**15.38**	34.51

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**510,602**	1,109,727
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**(308,720)**	1,039,898
Exchange differences arising from translation		
- non-controlling interests	**(81,690)**	(58,457)
Item that may be reclassified to profit and loss:		
Exchange differences arising from translation		
- subsidiaries	**(864,442)**	(1,341,715)
- joint ventures and associated companies	**(8,419)**	(15,317)
Other comprehensive loss for the period	**(1,263,271)**	(375,591)
Total comprehensive (loss)/income for the period	**(752,669)**	734,136
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(699,674)**	763,953
Non-controlling interests	**(52,995)**	(29,817)
	(752,669)	734,136

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2023

	Note	(unaudited) 30 June 2023 *HK$'000*	(audited) 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**297,249**	312,569
Investment properties		**16,036,665**	15,852,360
Right-of-use assets		**16,971**	19,426
Joint ventures		**11,429,852**	11,199,768
Associated companies		**2,643,363**	2,604,180
Financial assets at fair value through other comprehensive income		**8,075,457**	8,384,177
Deferred taxation assets		**133,884**	138,360
Derivative financial instruments		**104,025**	109,982
Land deposit		**-**	4,175,529
Other non-current assets		**1,814,336**	1,770,513
		40,551,802	44,566,864
Current assets			
Development properties		**23,536,367**	21,815,375
Inventories		**1,091**	1,383
Amounts due from joint ventures		**58,387**	61,088
Debtors and prepayments	8	**587,541**	482,144
Tender deposits		**50,000**	100,000
Derivative financial instruments		**-**	2,843
Financial assets at fair value through profit or loss		**720,899**	157,837
Taxes recoverable		**842,823**	788,011
Cash and cash equivalents and restricted cash		**8,568,540**	8,660,364
		34,365,648	32,069,045
Total assets		**74,917,450**	76,635,909
EQUITY			
Share capital		**313,289**	313,289
Reserves		**42,843,195**	43,542,869
Shareholders' funds		**43,156,484**	43,856,158
Non-controlling interests		**2,725,323**	2,786,713
Total equity		**45,881,807**	46,642,871
LIABILITIES			
Non-current liabilities			
Borrowings		**10,137,077**	12,244,037
Lease liabilities		**2,991**	4,956
Deferred taxation liabilities		**2,665,673**	2,679,471
		12,805,741	14,928,464
Current liabilities			
Amounts due to joint ventures		**1,413,091**	1,351,276
Amounts due to associated companies		**73,115**	63,873
Creditors, accruals and other liabilities	9	**1,771,970**	2,422,933
Pre-sales deposits		**7,394,529**	7,496,706
Current portion of borrowings		**4,899,750**	2,694,892
Taxes payable		**677,447**	1,034,894
		16,229,902	15,064,574
Total liabilities		**29,035,643**	29,993,038
Total equity and liabilities		**74,917,450**	76,635,909
Net current assets		**18,135,746**	17,004,471
Total assets less current liabilities		**58,687,548**	61,571,335

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2023 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 2022 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 2022, except as stated below.

The adoption of new standard, amendments to standards and practice statement

In 2023, the Group adopted the following new standard, amendments to standards and practice statement, which are relevant to its operations.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendment)	Definition of Accounting Estimates
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendment)	International Tax Reform - Pillar Two Model Rules
HKFRS 17 and HKFRS 17 (Amendment)	Insurance Contracts

The above new standard, amendments to standards and practice statement did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

Amendments to standards and interpretation that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendment)	Non-current Liabilities with Covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKFRS 16 (Amendment)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

2. Segment information

The Group is principally engaged in property development and investment in Hong Kong and the Mainland. 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 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 mainly 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$'000*	**Mainland** *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2023					
Revenue from contracts with customers					
- Recognised at a point in time	**601,285**	**2,133,705**	**-**	**-**	**2,734,990**
- Recognised over time	**-**	**-**	**-**	**40,375**	**40,375**
Revenue from other sources					
- Rental income	**-**	**-**	**324,885**	**-**	**324,885**
Revenue	**601,285**	**2,133,705**	**324,885**	**40,375**	**3,100,250**
Adjusted EBITDA	**303,526**	**354,761**	**253,187**	**(135,487)**	**775,987**
Other income and expenses/gains, net					**188,329**
Depreciation and amortisation					**(14,204)**
Change in fair value of investment properties			**(48,105)**		**(48,105)**
Finance costs					**(71,791)**
Share of profits/(losses) of joint ventures	**21,295**	**(27,833)**			**(6,538)**
Share of profits of associated companies	**1,516**	**344**			**1,860**
Profit before taxation					**825,538**
Taxation charge					**(314,936)**
Profit for the period					**510,602**
As at 30 June 2023					
Segment assets	**5,633,266**	**30,065,087**	**16,571,080**	**-**	**52,269,433**
Other assets	**-**	**-**	**-**	**8,516,415**	**8,516,415**
Joint ventures	**10,044,016**	**1,444,223**	**-**	**-**	**11,488,239**
Associated companies	**2,615,168**	**28,195**	**-**	**-**	**2,643,363**
Total assets	**18,292,450**	**31,537,505**	**16,571,080**	**8,516,415**	**74,917,450**
Total liabilities	**6,669,843**	**19,424,548**	**2,897,620**	**43,632**	**29,035,643**

2. Segment information (Cont'd)

	Property development		Property investment	Others	Total
	Hong Kong *HK$'000*	Mainland *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2022					
Revenue from contracts with customers					
- Recognised at a point in time	3,427,392	1,624,612	-	-	5,052,004
- Recognised over time	-	-	-	21,962	21,962
Revenue from other sources					
- Rental income	-	-	317,764	-	317,764
Revenue	3,427,392	1,624,612	317,764	21,962	5,391,730
Adjusted EBITDA	1,108,812	173,574	261,335	(158,726)	1,384,995
Other income and expenses/gains, net					62,777
Depreciation and amortisation					(16,309)
Change in fair value of investment properties			25,329		25,329
Finance costs					(30,135)
Share of (losses)/profits of joint ventures	(17,639)	1,414			(16,225)
Share of (losses)/profits of associated companies	(5,944)	24,154			18,210
Profit before taxation					1,428,642
Taxation charge					(318,915)
Profit for the period					1,109,727
As at 31 December 2022					
Segment assets	6,070,013	31,649,233	16,209,817	-	53,929,063
Other assets	-	-	-	8,841,810	8,841,810
Joint ventures	9,747,344	1,513,512	-	-	11,260,856
Associated companies	2,575,421	28,759	-	-	2,604,180
Total assets	18,392,778	33,191,504	16,209,817	8,841,810	76,635,909
Total liabilities	6,942,195	20,042,357	2,957,697	50,789	29,993,038
Additions to non-current assets:					
Six months ended 30 June 2023	-	**4,063**	**718,530**	**265**	**722,858**
Six months ended 30 June 2022	131	6,849	70,427	48	77,455

Geographical segment information

The Group operates in two (2022: two) main geographical areas: Hong Kong and the Mainland.

The revenue for the six months ended 30 June 2023 and 2022 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, land deposit and other non-current assets) as at 30 June 2023 and 31 December 2022 by geographical area are as follows:

2. **Segment information (Cont'd)**

Revenue	**2023**	2022
	HK$'000	*HK$'000*
Hong Kong	**647,177**	3,470,967
Mainland	**2,453,073**	1,920,763
	3,100,250	5,391,730

Non-current assets	**30 June 2023**	31 December 2022
	HK$'000	*HK$'000*
Hong Kong	**2,877,083**	2,897,843
Mainland	**13,473,802**	13,286,512
	16,350,885	16,184,355

3. **Revenue**

	2023	2022
	HK$'000	*HK$'000*
Sales of properties	**2,734,990**	5,052,004
Rental income	**324,885**	317,764
Hotel operations	**40,375**	21,962
	3,100,250	5,391,730

4. **Profit before taxation**

	2023	2022
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income	**225,123**	139,232
Dividend income from financial assets at fair value through other comprehensive income	-	48,745
Gain on disposal of investment properties	**91,272**	-
Net gains on settlement of derivative financial instruments	**24,810**	-
Net fair value gains on derivative financial instruments	-	103,074
Net fair value gains on financial assets at fair value through profit or loss	**6,384**	9,259
Net exchange gains	-	31,162
and after charging:		
Cost of properties sold	**1,958,933**	3,631,540
Selling and marketing expenses	**131,379**	263,563
Depreciation for property, plant and equipment (net of capitalisation)	**12,284**	13,035
Depreciation for right-of-use assets	**1,920**	3,274
Lease expenses	**4,160**	4,239
Net losses on settlement of derivative financial instruments	-	17,155
Net fair value losses on derivative financial instruments	**8,800**	-
Net exchange losses	**23,492**	-

5. Taxation charge

	2023	2022
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**39,891**	153,316
Mainland		
- Income tax	**114,415**	114,651
- Land appreciation tax	**116,331**	31,364
Over-provision in previous years	**(10)**	(18)
Deferred	**44,309**	19,602
	314,936	318,915

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 the Mainland has been provided at the rate of 25% (2022: 25%). There is no income tax provided on other comprehensive income.

Land appreciation tax in the Mainland 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, and 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:

	2023	2022
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**481,907**	1,081,087

	Number of shares	
	2023	2022
Weighted average number of shares for calculating basic earnings per share	**3,132,894,615**	3,132,451,282
Effect of dilutive potential ordinary shares – Share options	-	-
Weighted average number of shares for calculating diluted earnings per share	**3,132,894,615**	3,132,451,282

7. Dividend

The Board has declared an interim cash dividend of HK$219,303,000 (being 7 HK cents per share) (2022: 7 HK cents per share, totaling HK$219,303,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2023.

8. Debtors and prepayments

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Trade debtors	**15,685**	15,362
Other debtors	**205,720**	208,345
Prepayments and other deposits	**178,031**	52,681
Sales commissions	**19,836**	33,450
Sales taxes	**168,269**	172,306
	587,541	482,144

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

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Within one month	**5,332**	4,926
Two to three months	**4,121**	8,624
Four to six months	**2,587**	752
Over six months	**3,645**	1,060
	15,685	15,362

9. Creditors, accruals and other liabilities

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Trade creditors	**874,258**	1,491,086
Other creditors	**104,170**	93,094
Accrued operating expenses	**570,368**	615,787
Rental and other deposits received	**219,654**	219,438
Lease liabilities – current portion	**3,520**	3,528
	1,771,970	2,422,933

Trade creditors mainly comprise construction cost payables and accrued operating expenses mainly comprise accrued sales commissions, sales taxes and other operating expenses.

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Within one month	**867,889**	1,483,228
Two to three months	**2,330**	1,904
Four to six months	**1,563**	2,304
Over six months	**2,476**	3,650
	874,258	1,491,086

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2023 ("***Period***") was HK$3,100 million, mainly derived from the property sales of K. Summit and Solaria in Hong Kong, VETTA in Suzhou and Cosmo in Guangzhou; and 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$921 million) was HK$4,021 million for the Period.

Profit attributable to equity holders of the Company was HK$482 million, while underlying profit of the Group (before the net of tax fair value change and disposal gain of investment properties) was HK$462 million for the Period.

The total comprehensive loss attributable to equity holders of the Company for the Period was HK$700 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$4 billion, mainly derived from K. Summit and Grand Victoria in Hong Kong, Sierra in Nanjing and VETTA in Suzhou.

As of 30 June 2023, the Group had unrecognised attributable contracted sales amounted to approximately HK$18.6 billion, expected to be accounted for from the second half of 2023 onwards.

Operation Review

Hong Kong

While market sentiment has been affected by interest rate hikes, Grand Victoria, our joint venture project in South West Kowloon, recorded attributable contracted sales of around HK$1 billion during the Period. We also captured the market demand for high-end properties and successfully sold 6 special units of K. Summit, with contracted sales amounted to over HK$0.6 billion, leaving the completed project with only 4 special units available for sale.

The handover of sold units for Grand Victoria Phase I commenced in June following the issuance of the certificate of compliance, with the corresponding sales recognised in the Period. Certificates of compliance for Phases II and III were both obtained in July and the handover of the sold units is progressing. Construction work of other projects under development has progressed as scheduled. Pre-sale consent for our joint venture project in the Kai Tak Development Area 4A Site 2 was granted in July. Sale launch of which and of another joint venture project there, KT Marina, will be subject to market condition.

Occupancy of the Group's investment properties remained stable during the Period, with a mild increase in rental revenue of our retail shops amid the improving retail and food and beverage markets following the abolishment of social distancing measures. Our premium dining and shopping arcade J SENSES, and the commercial complex at Twin Peaks and K. Summit were all leased out, while Chantilly achieved an average occupancy of 65%.

Mainland

During the Period, upon obtaining the presale consent, we launched sales of a residential block of our well-received project Sierra in Nanjing, with the majority of the units sold on the launch day. Together with the sales of the remaining unsold units that were previously launched, Sierra generated contracted sales of around RMB1 billion in the Period. As of the Period end, 10 out of 11 residential blocks of Sierra had been launched for sale with 96% sold, generating total contracted sales of around RMB5 billion for the Group. Completion of Sierra is expected in 2024. In addition, the Group continued to market the remaining units of various launched projects.

The handover of sold units to buyers for VETTA in Suzhou and Cosmo in Guangzhou commenced following the completion of the projects in late last year, with the corresponding sales revenue recognised in the Period. The development of Bayview in Dongguan was also fully completed in March with the sold units handed over to buyers. Subsequent to the Period end, all sold units of Navale in Shanghai were handed over to buyers smoothly in July, following the project's completion. The development of our commercial project, WYSH in Shanghai, was also completed in July. Pre-leasing of WYSH was well received with soft opening expected by the year end. Construction of the Group's other projects has progressed as scheduled.

The Group's leasing performance continued to be satisfactory during the Period. Our prime office building, Shanghai K. Wah Centre, maintained an average occupancy of 90% while our serviced apartments in Jing An and Xu Hui, Shanghai achieved overall occupancy of around 90%. Palace Lane and EDGE, both in Shanghai, were fully let and other commercial facilities continued to achieve satisfactory occupancy. A number of rental units were disposed during the Period while the Group maintained its strategy to enlarge its recurring income base.

Investment in GEG

The Group maintains the investment of 162 million shares, or an approximate 3.72% interest, in GEG carried at fair market value. As of 30 June 2023, the share price of GEG was HK$49.7 as compared with HK$51.6 as of 31 December 2022. The change in fair value of approximately HK$0.3 billion was directly recorded in reserve. A special dividend of HK$0.2 per share was just declared.

MARKET REVIEW AND OUTLOOK

Global, Mainland and Hong Kong

In early January 2023, the Central Government pivoted from its zero-COVID policy and the Mainland re-opened its borders to the world. It was initially expected to be a strong catalyst to re-activate the economic activities of the Mainland, which could also boost global economic growth, and of Hong Kong. Nevertheless, the Mainland and Hong Kong economic momentum weakened going into the second quarter. On the other hand, despite escalating tensions between China and the United States ("US"), and the ongoing Russia-Ukraine conflict during the Period, inflation in major Western countries resulting from the disrupted global supply chain, and energy and food supplies became more under control amid their interest rate hikes. The US also demonstrated its economic resilience.

Hong Kong property market

Excited by the Mainland re-opening its borders to Hong Kong and the world, and amid expected pent-up demand, primary property market transactions increased by 31% year-on-year and a government index tracking private domestic prices also rose 4.3% in the Period. Nevertheless, despite the government relaxing measures on certain loan-to-value ratios on mortgages, the longer than expected US interest rate hike cycle with interest rate up to a record high since 2001 and the rise in Hong Kong mortgage rates caused both transactions and transaction prices to adjust downwards from May. While in 2022 the Group successfully launched the sale of two development projects at MTR stations, Grand Mayfair and Villa Garda, the Group managed to sell certain luxury units in K. Summit, a premium residential project in the Kai Tak Development Area in the Period. A unit in Chantilly was also sold in July for about HK$120 million, reflecting the market's acknowledgment of the quality and value of the Group's property projects.

Mainland property market

Despite the Mainland recording a 6.3% GDP growth in the second quarter, export growth turned negative in the Period, while domestic consumption remained slow amid the weak consumption and investment confidence. Worries over job security also dampened buyers' appetite for homes despite the Central Government relaxing restrictive administrative measures on controlling demand, cutting mortgage interest rates and providing more liquidity to property buyers and developers. The debt crisis of financially over-leveraged Mainland developers also continued to adversely affect the property market in the Period. The Group took the opportunity in 2022 to launch for sale its residential project, Navale, Pudong, the residential portion of the joint venture project, Imperial Mansion, Hongkou, both in Shanghai, and Sierra, the residential portion of its large comprehensive development in Nanjing. All of them received overwhelming responses with the launched units already largely sold out. The Group managed to launch the sale of another block at Sierra in March upon obtaining the pre-sale consent which was around 90% taken up on the launch date, evidencing the project's market recognition in Nanjing.

Land bank replenishment

The Group participated in a number of land auctions or tenders in the Period. In June, the Group solely acquired a block of building on King's Road, Hong Kong, which is planned to be redeveloped into a premium residential project. The Group will continuously monitor the land market and continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in both Hong Kong and the Mainland.

Conclusion

Despite all the uncertainties in the Mainland and globally, the Mainland's economic growth remains resilient. The International Monetary Fund projected the Mainland's GDP will grow by 5.2% in 2023 and the Mainland's economy set to contribute a quarter of global growth while the Central Government official growth target is set at approximately 5%. The Central Government also explicitly stated the need to "adjust and optimise" its property-related policies in a timely manner. Growth momentum is expected to pick up with the impacts of the stimuli/supportive measures implemented to take effect and further measures to be implemented by the Central Government in the second half which are expected to uplift consumption and investment confidence.

In Hong Kong, GDP grew by 2.9% and 1.5% in the first and second quarter respectively with the revised target of 4-5% set for 2023. Proactive campaigns have been launched globally to attract talents and investments into Hong Kong for its longer term economic growth momentum as well as tourists supporting its tourism and retail sectors. Interest rates in Hong Kong remain high at the moment but are expected to peak and will fall in 2024, in line with US interest rate movement. Underlying property user demand in Hong Kong and also the new demand brought by the talents under the Top Talent Pass Scheme coming to Hong Kong, and overseas investors together ensure a stable property market.

Land markets in both the Mainland and Hong Kong remained soft. On the back of its extensive experience garnered over the years, the Group will continue to develop more premium projects according to the philosophies of “K. Wah Plus” and the persistence in delivering impeccable quality projects. Regardless, the Group will adhere to our prudent strategy and be cautious in replenishing our land bank, taking into account the strength of market sales rebound. Overall, the economies of both the Mainland and Hong Kong are expected to be resilient.

Despite all the prevailing challenges, the Group will continue to focus on developing premium projects in Hong Kong and tier-1 or 2 cities in the Mainland targeting upgraders and is well positioned to prudently capture any opportunities in Hong Kong and the Mainland. Meanwhile, all initiatives undertaken by the Hong Kong Government are believed to be enhancing its economic activities. The integrated development of Hong Kong with Shenzhen as well as with other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, is also creating more opportunities. The Group will capitalise on its solid financial strengths and prudent land replenishment strategy to grasp any opportunities for premium development in Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory. As of 30 June 2023, total funds employed (being total equity and total borrowings) were HK$61 billion (31 December 2022: HK$62 billion). The number of issued shares of the Company was 3,132,894,615 as of 30 June 2023, without any movement since 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 2023, the Group’s borrowings amounted to HK$15,037 million (31 December 2022: HK$14,939 million) and 33% will be 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$27 million which is due after five years. The average interest rate for the Group during the Period increased to 4.1% from last year’s average of 2.6% amid market rates hiking.

As of 30 June 2023, the Group had available undrawn banking facilities totaling HK$16,376 million (31 December 2022: HK$19,074 million), comprising HK$14,019 million (31 December 2022: HK$15,804 million) for working capital and HK$2,357 million (31 December 2022: HK$3,270 million) for project facility purposes.

As of 30 June 2023, the Group's cash and bank deposits were HK$8,569 million (31 December 2022: HK$8,660 million), with approximately 83% held in Renminbi. The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, increased slightly from 13% as of last year end to 14% as of the Period end.

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 were executed with a total amount of HK$2.0 billion for five years outstanding as of the Period end (31 December 2022: HK$2.5 billion for three years or five years).

Of the Group's bank loans of HK$15,037 million as of 30 June 2023, approximately 93% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 87% of such borrowings were on a floating rate basis, with the remainder on a fixed rate basis.

Charges on Group Assets

As of 30 June 2023, certain subsidiaries of the Group pledged assets (comprising investment properties and development properties) with aggregate carrying values of HK$4,839 million (31 December 2022: HK$4,921 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2023, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies, amounting to HK$8,314 million (31 December 2022: HK$9,096 million) and HK$2,664 million (31 December 2022: HK$2,664 million) respectively, of which facilities totaling HK$5,401 million (31 December 2022: HK$5,520 million) and HK$1,467 million (31 December 2022: HK$1,347 million) respectively have been utilised. In addition, the Group provided guarantees amounting to HK$1,519 million (31 December 2022: HK$1,697 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 2023, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK$28,605 million (31 December 2022: HK$30,698 million), HK$7,782 million (31 December 2022: HK$8,411 million) and HK$2,664 million (31 December 2022: HK$2,664 million) respectively. Of these, facilities totaling HK$14,611 million (31 December 2022: HK$14,548 million), HK$5,329 million (31 December 2022: HK$5,453 million) and HK$1,467 million (31 December 2022: HK$1,347 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 2023, the Company had complied with the code provisions ("***CPs***") set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities ("***Listing Rules***") on The Stock Exchange of Hong Kong Limited, apart from the deviations from (i) CP B.2.2 (retirement by rotation of directors). The chairman and the managing director of the Company are not subject to retirement by rotation; and (ii) CP C.2.1 (roles of chairman and managing director). The roles of chairman and managing director of the Company have not been separated.

The Board believes that the underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2022 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 15 August 2023 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 2023 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 2023 Interim Report to the shareholders of the Company.

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 2023.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2023 of 7 HK cents per share, totaling HK$219,303,000, payable on 26 October 2023 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2023 (2022: an interim cash dividend of 7 HK cents per share, totaling HK$219,303,000). It is expected that the dividend warrants will be posted to those entitled on 26 October 2023.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 14 September 2023 to 19 September 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified 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 2023.

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 2023 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 2023.

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 Mr. Wong Kwai Lam, Mr. Nip Yun Wing and Mr. Cheung Kin Sang.

By Order of the Board of
K. Wah International Holdings Limited
Miranda Tse
Company Secretary

Hong Kong, 23 August 2023