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(Stock Code: 00173)

Delivering Value with Distinctive Quality

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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\$1,213 million, whereas profit attributable to equity holders was HK\$154 million.
- Attributable contracted sales of the Group for the Period amounted to HK\$5.1 billion.
- As of 30 June 2024, the Group had attributable contracted sales of HK\$16.1 billion in total yet to be recognised.
- Earnings per share was 4.9 HK cents and an interim dividend per share of 4 HK cents was declared.
- As of 30 June 2024, net asset value per share was HK\$13.1.
- The gearing ratio of the Group decreased from 17% as of last year end to 11% as of 30 June 2024.
- 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 2024

	Note	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	1,213,010	3,100,250
Cost of sales		(528,930)	(2,015,358)
Gross profit		<u>684,080</u>	<u>1,084,892</u>
Other operating income		257,490	293,798
Other net gains		73,946	90,131
Change in fair value of investment properties		29,727	(48,105)
Other operating expenses		(148,367)	(195,600)
Administrative expenses		(294,570)	(323,109)
Finance costs		(211,680)	(71,791)
Share of profits/(losses) of joint ventures		24,636	(6,538)
Share of (losses)/profits of associated companies		(1,946)	1,860
Profit before taxation	4	<u>413,316</u>	<u>825,538</u>
Taxation charge	5	(235,464)	(314,936)
Profit for the period		<u>177,852</u>	<u>510,602</u>
Attributable to:			
Equity holders of the Company		153,787	481,907
Non-controlling interests		24,065	28,695
		<u>177,852</u>	<u>510,602</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		4.91	15.38
Diluted		<u>4.91</u>	<u>15.38</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six months ended 30 June 2024

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>177,852</u>	<u>510,602</u>
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit and loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(1,194,258)	(308,720)
Exchange differences arising from translation - non-controlling interests	(65,354)	(81,690)
<i>Items that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation - subsidiaries	(202,001)	(864,442)
- joint ventures and associated companies	(944)	(8,419)
Gains on net investment hedges	28,708	-
Other comprehensive loss for the period	<u>(1,433,849)</u>	<u>(1,263,271)</u>
Total comprehensive loss for the period	<u>(1,255,997)</u>	<u>(752,669)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(1,214,708)	(699,674)
Non-controlling interests	(41,289)	(52,995)
	<u>(1,255,997)</u>	<u>(752,669)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Note	(unaudited) 30 June 2024 HK\$'000	(audited) 31 December 2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		346,328	362,493
Investment properties		16,599,498	16,600,967
Right-of-use assets		76,000	79,426
Joint ventures		10,257,643	10,462,546
Associated companies		2,874,489	2,731,816
Financial assets at fair value through other comprehensive income		5,914,419	7,108,677
Deferred taxation assets		199,972	181,140
Derivative financial instruments		29,532	56,965
Other non-current assets		1,113,812	1,490,662
		<u>37,411,693</u>	<u>39,074,692</u>
Current assets			
Development properties		23,341,518	23,170,991
Inventories		1,755	1,249
Amounts due from joint ventures		60,559	61,497
Debtors and prepayments	8	439,712	598,322
Tender deposits		-	50,000
Derivative financial instruments		20,792	9,516
Financial assets at fair value through profit or loss		112,657	1,366,859
Taxes recoverable		798,003	677,745
Cash and cash equivalents and bank deposits		9,290,658	7,496,096
		<u>34,065,654</u>	<u>33,432,275</u>
Total assets		<u>71,477,347</u>	<u>72,506,967</u>
EQUITY			
Share capital		313,289	313,289
Reserves		40,800,089	42,014,797
Shareholders' funds		41,113,378	42,328,086
Non-controlling interests		2,413,810	2,769,355
Total equity		<u>43,527,188</u>	<u>45,097,441</u>
LIABILITIES			
Non-current liabilities			
Borrowings		12,782,139	12,324,296
Lease liabilities		886	1,712
Deferred taxation liabilities		2,767,398	2,706,818
		<u>15,550,423</u>	<u>15,032,826</u>
Current liabilities			
Amounts due to joint ventures		1,232,615	1,314,625
Amounts due to associated companies		77,271	73,417
Creditors, accruals and other liabilities	9	1,502,103	1,731,040
Pre-sales deposits		7,922,994	5,771,726
Current portion of borrowings		1,236,691	2,858,009
Taxes payable		428,062	627,883
		<u>12,399,736</u>	<u>12,376,700</u>
Total liabilities		<u>27,950,159</u>	<u>27,409,526</u>
Total equity and liabilities		<u>71,477,347</u>	<u>72,506,967</u>
Net current assets		<u>21,665,918</u>	<u>21,055,575</u>
Total assets less current liabilities		<u>59,077,611</u>	<u>60,130,267</u>

NOTES

1. Basis of preparation

The interim financial information for the six months ended 30 June 2024 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 2023 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). HKFRSs comprise the following authoritative literature: Hong Kong Financial Reporting Standards, HKASs and Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

Except for the amendments to standards and interpretation effective for accounting period beginning on 1 January 2024, and the hedge accounting adopted in the current period as stated below, 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 2023.

The adoption of amendments to standards and interpretation

In 2024, the Group adopted the following amendments to standards and interpretation, which are relevant to its operations.

HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendment)	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKFRS 16 (Amendment)	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

New standards and 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 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Amendment)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

1. Basis of preparation (Cont'd)

The Group will adopt the above new standards and 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 new standards and 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.

Hedge accounting

Hedging activities

The Group designates certain derivatives and Renminbi denominated borrowings as net investment hedges in foreign operations.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Net investment hedges in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated profit and loss statement within finance costs.

Gains and losses accumulated in equity are reclassified to consolidated profit and loss statement when the foreign operation is partially disposed of or sold.

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.

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 2024					
Revenue from contracts with customers					
- Recognised at a point in time	352,495	493,823	-	-	846,318
- Recognised over time	-	-	-	44,877	44,877
Revenue from other sources					
- Rental income	-	-	321,815	-	321,815
Revenue	352,495	493,823	321,815	44,877	1,213,010
Adjusted EBITDA	149,968	131,823	241,289	(115,660)	407,420
Other income and expenses/gains, net					183,069
Depreciation and amortisation					(17,910)
Change in fair value of investment properties			29,727		29,727
Finance costs					(211,680)
Share of profits of joint ventures	23,055	1,581			24,636
Share of (losses)/profits of associated companies	(2,084)	138			(1,946)
Profit before taxation					413,316
Taxation charge					(235,464)
Profit for the period					177,852
As at 30 June 2024					
Segment assets	4,640,072	30,253,058	16,955,508	-	51,848,638
Other assets	-	-	-	6,436,018	6,436,018
Joint ventures	8,790,658	1,527,544	-	-	10,318,202
Associated companies	2,845,794	28,695	-	-	2,874,489
Total assets	16,276,524	31,809,297	16,955,508	6,436,018	71,477,347
Total liabilities	6,107,114	18,852,287	2,926,441	64,317	27,950,159
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

2. Segment information (Cont'd)

	Property development		Property investment	Others	Total
	Hong Kong <i>HK\$'000</i>	Mainland <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2023					
Segment assets	5,805,922	28,645,000	17,125,268	-	51,576,190
Other assets	-	-	-	7,674,918	7,674,918
Joint ventures	8,988,237	1,535,806	-	-	10,524,043
Associated companies	2,703,054	28,762	-	-	2,731,816
Total assets	17,497,213	30,209,568	17,125,268	7,674,918	72,506,967
Total liabilities	6,657,770	17,687,553	3,008,798	55,405	27,409,526
Additions to non-current assets					
Six months ended 30 June 2024	-	1,047	29,820	81	30,948
Six months ended 30 June 2023	-	4,063	718,530	265	722,858

Geographical segment information

The Group operates in two (2023: two) main geographical areas: Hong Kong and the Mainland.

The revenue for the six months ended 30 June 2024 and 2023 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 2024 and 31 December 2023 by geographical area are as follows:

Revenue	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	399,534	647,177
Mainland	813,476	2,453,073
	1,213,010	3,100,250
Non-current assets	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,724,245	2,743,999
Mainland	14,297,581	14,298,887
	17,021,826	17,042,886

3. Revenue

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of properties	846,318	2,734,990
Rental income	321,815	324,885
Hotel operations	44,877	40,375
	1,213,010	3,100,250

4. Profit before taxation

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Interest income	141,555	225,123
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	41,860	24,810
Net fair value gains on financial assets at fair value through profit or loss	11,823	6,384
Net exchange gains	40,121	-
and after charging:		
Cost of properties sold	469,579	1,958,933
Selling and marketing expenses	86,284	131,379
Depreciation for property, plant and equipment (net of capitalisation)	15,038	12,284
Depreciation for right-of-use assets	2,872	1,920
Lease expenses	4,373	4,160
Net fair value losses on derivative financial instruments	19,830	8,800
Net exchange losses	-	23,492
	469,579	1,958,933

5. Taxation charge

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Hong Kong profits tax	17,707	39,891
Mainland		
- Income tax	85,886	114,415
- Land appreciation tax	64,882	116,331
Under/(over)-provision in previous years	9,323	(10)
Deferred	57,666	44,309
	235,464	314,936

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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% (2023: 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.

The Group has assessed its exposure to the Pillar Two Model Rules. Hong Kong and the Mainland have yet to enact legislation for implementation of the Pillar Two Model Rules. Based on the assessment for the period ended 30 June 2024 and the information currently available, the Group does not expect a material impact on its income tax position resulting from the implementation of these rules.

6. Earnings per share

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	153,787	481,907
	Number of shares	
	2024	2023
Weighted average number of shares for calculating basic earnings per share	3,132,894,615	3,132,894,615
Effect of dilutive potential ordinary shares – Share options	-	-
Weighted average number of shares for calculating diluted earnings per share	3,132,894,615	3,132,894,615

7. Dividend

The Board has declared an interim cash dividend of HK\$126,109,000 (being 4 HK cents per share) (2023: 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 2024.

8. Debtors and prepayments

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	8,776	15,754
Other debtors	180,467	192,961
Prepayments and other deposits	30,061	151,762
Sales commissions	16,698	16,930
Sales taxes	203,710	220,915
	439,712	598,322

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

8. Debtors and prepayments (Cont'd)

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	4,291	4,998
Two to three months	1,538	1,772
Four to six months	1,168	3,418
Over six months	1,779	5,566
	8,776	15,754

9. Creditors, accruals and other liabilities

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	608,852	930,604
Other creditors	96,336	104,852
Accrued operating expenses	563,016	455,307
Rental and other deposits received	231,764	237,104
Lease liabilities – current portion	2,135	3,173
	1,502,103	1,731,040

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 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	604,570	922,649
Two to three months	110	5,964
Four to six months	2,735	347
Over six months	1,437	1,644
	608,852	930,604

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The revenue of the Group for the six months ended 30 June 2024 (“*Period*”) was HK\$1,213 million, mainly derived from the property sales of K. Summit and Solaria in Hong Kong, and Cosmo in Guangzhou; and the rental income from Shanghai K. Wah Centre. The decrease in revenue was mainly due to less pre-sold properties delivered to buyers during 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\$592 million) was HK\$1,805 million for the Period.

Profit attributable to equity holders of the Company was HK\$154 million, while underlying profit of the Group (before the net of tax fair value change of investment properties) was HK\$132 million for the Period.

The total comprehensive loss attributable to equity holders of the Company for the Period was HK\$1,215 million after accounting for the fair value change on the non-current investment of an interest in Galaxy Entertainment Group Limited (“*GEG*”), exchange differences arising from translation of the Group’s RMB denominated net assets as of the Period end and gains on net investment hedges.

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\$5.1 billion, mainly derived from K. Summit and Grand Victoria in Hong Kong, Avenir in Shanghai and Cosmo in Guangzhou.

As of 30 June 2024, the Group had unrecognised attributable contracted sales amounted to approximately HK\$16.1 billion, expected to be accounted for from the second half of 2024 onwards.

Hong Kong Operation

Following February’s lifting of tightening measures for residential properties, the volume of residential transactions in Hong Kong notably strengthened. We successfully tapped the demand in the market and sold the remaining special units at K. Summit. Together with the sales of our joint venture project Grand Victoria, as well as other launched projects, the Group recorded attributable contracted sales of HK\$1.4 billion for the Period.

The construction of projects under development has progressed as scheduled and several joint venture projects are scheduled to complete in phases between late 2024 and 2025.

Occupancy of the Group’s investment properties remained stable during the Period and continues to deliver steady recurrent income. Our premium dining and shopping arcade J SENSES, the commercial complex at Twin Peaks and the shops at K. Summit were all leased out, while Chantilly achieved 93% occupancy as of the Period end.

Mainland Operation

The residential units of a new project, Avenir in Shanghai, were launched for sales in February. The project was well received by the market with all the units pre-sold, generating sales that amounted to RMB3.7 billion for the Group. The Group also continued to market the remaining units of other launched projects.

The preparation work for the handover of pre-sold units to buyers of Sierra in Nanjing commenced following the completion of the project in August, with the corresponding sales revenue to be recognised in the second half of 2024. 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 92% while our serviced apartments in Jing An and Xu Hui, Shanghai achieved an overall occupancy of 90%. Palace Lane and EDGE, also both in Shanghai, were fully let and the commercial portions of WYSH, Shanghai achieved 70% occupancy in the first year of operation. The commercial facilities in other regions continued to maintain stable occupancy.

Investment in GEG

The Group maintains an investment of 162 million shares in GEG, an approximate 3.72% interest, carried at fair market value. As of the Period end, the share price of GEG was HK\$36.4, as compared with HK\$43.75 as of 31 December 2023. The change in fair value of approximately HK\$1.2 billion was directly recorded in reserve. A special dividend of HK\$0.3 per share was declared in March 2024 and an interim dividend of HK\$0.5 per share was just declared in August.

MARKET REVIEW AND OUTLOOK

Global, Mainland, and Hong Kong

Amid adverse factors including geopolitical tensions and economic uncertainties, the worldwide business environment in 2024 continued to face multiple challenges. The US inflation rate, which initially rose in the first quarter, began to show signs of decline in the second quarter, impacting the anticipated timing of the US Federal Reserve's first interest rate cut. In the Mainland, exports thrived due to the steady recovery of international trade, propelling GDP growth to 5% in the first half of 2024, in line with annual targets. Hong Kong maintained a low unemployment rate of 3% and saw moderate GDP growth in the first half of 2024, primarily fueled by service exports.

Hong Kong Property Market

At the end of February, the Hong Kong Government announced the elimination of all demand-side management measures for residential properties. Concurrently, the Hong Kong Monetary Authority suspended the interest rate stress testing requirement for residential properties. These pivotal decisions boosted the property market, sparking a gradual recovery in buyer confidence. Consequently, developers implemented more aggressive sales strategies, leading to a surge in first-hand transactions. Notably, the Group's joint venture project Grand Victoria observed a substantial increase in transactions from March to June, underlining these improved market dynamics.

Mainland Property Market

Despite policy interventions to stabilise the property market in 2023, the market continued to adjust in the early months of 2024. Consumer confidence was dampened by the negative wealth effect from declining housing prices. However, the landscape shifted when the Politburo meeting at the end of April mandated that local authorities devise policies to address the excess inventory. Subsequently, in mid-May, the People's Bank of China introduced a number of measures in alignment with the Politburo's directive. These actions included the elimination of lower limits on loan interest rates for primary and secondary homes nationwide, a reduction in minimum mortgage down payment ratios, adjustments to personal housing provident fund loan interest rates, and the launch of a new relending program for affordable housing.

Land Bank Replenishment

The Group remains vigilant in monitoring the land markets of both Hong Kong and the Mainland, exercising discipline and sound judgment in evaluating opportunities for land replenishment. The aim is to maximise earning potential while exploring diverse avenues for new investment prospects.

Conclusion

Amid ongoing uncertainties globally and in the Mainland, positive strides in macroeconomic indicators are discernible. Despite looming challenges such as the upcoming US Presidential election and geopolitical risks, there are promising forecasts for the Mainland's GDP growth and initiatives aimed at bolstering domestic demand. In Hong Kong, the property market has shown resilience following the removal of certain measures, with a favorable impact expected from anticipated interest rate cuts, and is also supported by rent increases.

In essence, while near-term challenges persist, the Group is well-equipped with a robust project pipeline to leverage improvements in the market. With a solid financial footing, ample liquidity, and a track record of effective management, the Group is committed to developing high-quality projects. The Group maintains a cautious yet optimistic outlook regarding the long-term prospects of both the local and Mainland property markets, poised to seize opportunities in both regions. Collaborations between the Mainland and Hong Kong, particularly within the Greater Bay Area, are anticipated to unlock further growth avenues for the Group and the Hong Kong market.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory. As of 30 June 2024, total funds employed (being total equity and total borrowings) were HK\$58 billion (31 December 2023: HK\$60 billion). The number of issued shares of the Company was 3,132,894,615 as of 30 June 2024, without any movement during the Period.

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 2024, the Group's borrowings amounted to HK\$14,019 million (31 December 2023: HK\$15,182 million) and 9% will be repayable within one year. The maturity profile of the borrowings is primarily spread over a period of up to five years. The average interest rate for the Group during the Period decreased to 4.6% from last year's average of 4.7%.

As of 30 June 2024, the Group's cash and bank deposits amounted to HK\$9,291 million (31 December 2023: HK\$7,496 million), with approximately 89% held in Renminbi. In addition, the Group had available undrawn banking facilities totaling HK\$18,047 million (31 December 2023: HK\$16,811 million), comprising HK\$14,490 million (31 December 2023: HK\$13,580 million) for working capital and HK\$3,557 million (31 December 2023: HK\$3,231 million) for project facility purposes.

The ample financial resources will provide adequate funding for the Group's operational and capital expenditure requirements.

The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, dropped to 11% as of the Period end from 17% as of last year 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 an outstanding amount of HK\$2 billion as of the Period end (31 December 2023: HK\$2 billion).

In addition, during the Period, the Group entered into cross currency swap contracts to hedge a portion of its net investment in the Mainland's operations, which are designated as net investment hedges. The net investment hedges offset the risk of changes in the value of the investment in the Mainland due to the fluctuation of the Renminbi exchange rate. As of the Period end, the notional principal amount of the cross currency swap contracts was HK\$1 billion.

The Group do not utilise derivative financial instruments for speculative purpose and the use of derivative financial instruments is strictly monitored and controlled. The derivative financial instruments entered into by the Group were solely used for management of the Group's interest rate and foreign exchange exposures.

Of the Group's bank loans of HK\$14,019 million as of 30 June 2024, approximately 72% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 59% 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 2024, certain subsidiaries of the Group pledged assets (comprising investment properties and development properties) with aggregate carrying values of HK\$4,369 million (31 December 2023: HK\$5,242 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 30 June 2024, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies, amounting to HK\$8,640 million (31 December 2023: HK\$9,289 million) and HK\$980 million (31 December 2023: HK\$980 million) respectively, of which facilities totaling HK\$6,812 million (31 December 2023: HK\$6,153 million) and HK\$980 million (31 December 2023: HK\$969 million) respectively have been utilised. In addition, the Group provided guarantees amounting to HK\$603 million (31 December 2023: HK\$518 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 2024, 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\$28,248 million (31 December 2023: HK\$28,693 million), HK\$8,103 million (31 December 2023: HK\$8,748 million) and HK\$980 million (31 December 2023: HK\$980 million) respectively. Of these, facilities totaling HK\$13,183 million (31 December 2023: HK\$14,453 million), HK\$6,716 million (31 December 2023: HK\$6,051 million) and HK\$980 million (31 December 2023: HK\$969 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 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 2024, the Company had complied with the code provisions (“*CPs*”) set out in the Corporate Governance Code in Appendix C1 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; (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; and (iii) CP F.2.2 (the chairman of the board should attend the annual general meeting). The Chairman of the Board was absent from the annual general meeting of the Company held on 12 June 2024 (“*2024 AGM*”) due to other business commitments. Mrs. Paddy Tang Lui Wai Yu, an Executive Director of the Company present at the 2024 AGM, was elected as the chairman of the 2024 AGM to ensure effective communication with the shareholders of the Company at the 2024 AGM.

The Board believes that the underlying rationale to deal with such deviations from CP B.2.2 and CP C.2.1 as mentioned under the section headed “COMPLIANCE WITH APPENDIX C1 OF THE LISTING RULES” in the Corporate Governance Report of its 2023 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 14 August 2024 to review the Company's accounting principles and practices and to discuss audit strategy, risk management, internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2024 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 2024 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 2024.

INTERIM DIVIDEND

The Board has declared an interim cash dividend for the six months ended 30 June 2024 of 4 HK cents per share, totaling HK\$126,109,000, payable on 25 October 2024 to the shareholders whose names appear on the registers of members of the Company at the close of business on 13 September 2024 (2023: 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 25 October 2024.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 10 September 2024 to 13 September 2024, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to 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 9 September 2024.

PUBLICATION OF FURTHER INFORMATION ON WEBSITE

This announcement is published on the websites of the Company (www.kwih.com) and the Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk). The Company's 2024 Interim Report containing all the applicable information required by the Listing Rules will be available on the respective websites of the Company and HKEx and dispatched to the shareholders of the Company in late September 2024.

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, 21 August 2024