



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

A Quality
Property Developer
優質地產發展商

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

Stock code 股份代號 0173

Pursuit *of* Excellence

啟綻豐碩 · 力行臻優

| Interim Report 2012 中期報告



Pursuit *of* Excellence
啟綻豐碩 · 力行臻優



Our Mission

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.

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Corporate Profile

K. Wah International Holdings Limited (“KWIH”; stock code: 0173), listed in Hong Kong in 1987*, is the property flagship of K. Wah Group. With a property portfolio encompassing premium residential developments, Grade-A office towers, hotels, serviced apartments and retail spaces, KWIH has a presence in Hong Kong, Shanghai, Guangzhou and Southeast Asia.

KWIH aims at establishing a position of large-scale integrated property developer and investor in the Greater China region. With a focus on an integrated approach for value creation, KWIH blends architectural design, quality, functionalities and top-notch building services in all its properties to redefine the standard of quality modern living. Furthermore, driven by a keen market sense and a versatile strategy, and backed by strong financial capability, KWIH has built up a prime land reserve in major cities of China, and thus a strong foothold for future growth.

KWIH has received several international accolades for its outstanding quality and service. Awarded Business Superbrands in the property development sector in 2006, KWIH was selected as the High-Flyer Outstanding Enterprise in two consecutive years, and was presented the Top 10 Developers Award by BCI Asia in 2011.

** Formerly K. Wah Stones (Holdings) Limited listed in 1987.*



Corporate Information

CHAIRMAN & MANAGING DIRECTOR

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTORS

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*

Dr. Robin Chan Yau Hing*, *GBS, LLD, JP*

Dr. William Yip Shue Lam*, *LLD*

Professor Poon Chung Kwong*, *GBS, PhD, DSc, JP*

Mr. Au Man Chu*

Mr. Wong Kwai Lam*

AUDIT COMMITTEE

Dr. William Yip Shue Lam*, *LLD, (Chairman)*

Professor Poon Chung Kwong*, *GBS, PhD, DSc, JP*

Mr. Au Man Chu*

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam*, *LLD, (Chairman)*

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

Mr. Wong Kwai Lam*

NOMINATION COMMITTEE

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA, (Chairman)*

Dr. William Yip Shue Lam*, *LLD*

Mr. Wong Kwai Lam*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan, *LLM, FCIS, FCS*

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AMERICAN DEPOSITARY RECEIPTS ("ADR") DEPOSITARY

The Bank of New York Mellon
P. O. Box 358516
Pittsburgh, PA 15252-8516
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WEBSITE ADDRESS

<http://www.kwih.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited ("SEHK")

STOCK CODE

SEHK	:	173
Bloomberg	:	173 HK
Reuters	:	0173.HK
ADR	:	KWHAY

Interim Results Highlights and Interim Dividend

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”) for the six months ended 30 June 2012 (“Period”) as follows:

- Revenue of the Group increased by 2.3 times to HK\$2,838 million.
- Profit attributable to equity holders increased by 6.1 times to HK\$2,899 million.
- Delivery of the impressive profit growth was both from Hong Kong (Marinella project) and Mainland China (Westwood Phase III and Shanghai Baoland disposal).
- Earnings per share was up 6.0 times to 112.51 HK cents and interim dividend per share is 5 HK cents.
- Total comprehensive income attributable to equity holders increased by 96% to HK\$3,648 million.
- Funding capability and sources enhanced by the successful tapping of US\$200 million Medium Term Note and recent conclusion of HK\$2.8 billion syndicated loan.
- As of 30 June 2012, cash and bank deposits amounted to HK\$5,501 million and net debt as a percentage of total equity was 22%.
- Capitalizing on market opportunities and strong funding capability, we are seeking opportunities on right terms to acquire quality land for development and the winning of the land auction at Tseung Kwan O Area 66D1 is a recent vindication.

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with a cash option) for the Period of 5 HK cents per share, totaling HK\$130,605,000, payable on 9 November 2012 to the shareholders whose names appear on the registers of members of the Company at the close of business on 5 October 2012 (2011: an interim scrip dividend (with cash option) of 2 HK cents per share, totaling HK\$51,064,000).

Payment of the scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited (“Exchange”) granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and the dividend warrants will be posted to those entitled on 9 November 2012. The Company will send a circular to the shareholders containing, among others, details of the interim scrip dividend (with cash option).

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group increased by 2.3 times to HK\$2,838 million for the first half of 2012 compared to the corresponding period last year. The revenue was mainly derived from the property sales of Westwood Phase III in Shanghai, Chantilly in Hong Kong and Le Palais in Guangzhou as well as from the rental income of Shanghai K. Wah Centre.

Profit attributable to equity holders of the Company increased by 6.1 times to HK\$2,899 million for the first half of 2012 compared to the corresponding period last year. The profit recognized in the first half was mainly derived from Marinella in which the Group has a 35% interest and acts as the project manager, Westwood Phase III, gain on disposal of interest in Shanghai Baoland and the increase in fair value of investment properties held by the Group.

Total comprehensive income attributable to equity holders of the Company increased by 96% to HK\$3,648 million for the first half of 2012 compared to the corresponding period last year. The substantial increase in such total comprehensive income was mainly due to the increase in fair value of our non-current investments in Galaxy Entertainment Group Limited (HK\$799 million) and the reasons cited in the foregoing paragraph for the increase in profit attributable to equity holders.

Property Development and Investment in Hong Kong SAR

The property market in Hong Kong was guarded in the first half with improved prices but subdued transaction volume, as a result of the financial turmoil in the Euro zone, expected increase in land supply and the change of administration in the Hong Kong SAR Government. Bidding results for new property projects reflected an assessment of more stable price outlook.

In spite of the market environment, Marinella continued to receive good response for its remaining units since its presale in October last year. The occupation permit for Marinella was issued in April so its profit was recognized in the first half, together with the recognition of the sale of Chantilly.

The Coronation project in which the Group has a 15% interest also achieved an overwhelming response with almost all of the units sold in the first half. Pre-sale in Providence Bay (15% interest owned by the Group) continued in the first half while pre-sale in Providence Peak (25% interest owned by the Group) was launched in June.

Property Development and Investment in Mainland China

Mainland China continued to achieve good economic growth this year albeit at a slower rate than that of previous years. The rampant increase in property prices experienced in the past few years has been reined in with the implementation of property market control measures last year aimed at promoting stable and healthy development of the market. The measures have had their intended effect of cooling down the market so we do not anticipate further tightening of the measures.

During the first half, the Group achieved the smooth handover of two blocks to buyers in Westwood Phase III with the relevant profit duly recognized. The Group also successfully disposed of its 41.5% interest in a non-core asset, Shanghai Baoland Co Ltd, for RMB859 million. Shanghai K. Wah Centre continued to maintain a high occupancy rate of approximately 97%.

Construction of Upstream Park in Minhang District in Shanghai made good progress and the presale of the initial 266 units, benefiting partly from the prior interest rate reductions by the People's Bank of China, received good response with 80% units sold in early July. The construction progress of other projects is also in accordance with our schedule.

Management Discussion and Analysis

Investment in Galaxy Entertainment Group Limited (“GEG”)

The Group continues to hold its non-current investment in GEG carried at fair value. As of 30 June 2012, the share price of GEG was HK\$19.14 per share representing an increase of 35% over its last carried fair value of HK\$14.22 per share as of 31 December 2011. The resulting increase in fair value of approximately HK\$799 million was recorded as an increase in reserve.

Outlook

Uncertainties still prevail in the developed economies with the sovereign debt crisis unfolding in the Euro zone and tepid recovery in the US economy. However, Mainland China is expected to achieve good GDP growth at its targeted 7.5% for this year although this is at a slower rate than the high single digit growth rates in the past few years. The fundamentals of the property market in Mainland China remain strong, particularly in big cities, owing to among other factors, the expected continued economic growth, rising affluence and desire for better living of the middle class, urbanization trend, and cultural preference for home ownership. In Hong Kong, the underlying housing demand has continued to be buoyed by demographic development, low interest rate environment and buying interest from Mainland China. Accordingly, we remain confident about the outlook of the property market in both Hong Kong and Mainland China.

Given the increase in land supply in Hong Kong and strong balance sheet position of the Group, we are actively seeking opportunities to acquire quality land for development. Suitable location, conducive size, ability of the Group to add unique value to the development, expected return and risks are among the factors considered in our evaluation of a new project. We secured Tseung Kwan O Area 66D1, announced on 1 August, of a gross floor area of 297,549 square feet at the land premium of HK\$1,168.933 million. In Mainland China, we are also seeking appropriate opportunities to acquire quality land for development in the Yangtze and Pearl River Delta areas in a prudent and progressive manner.

It is currently expected that the occupation permit in respect of The Coronation may be obtained in the second half. The occupation permit for each of Providence Bay and Providence Peak may also be obtained towards the end of this year. For Upstream Park in Minhang, the hand over notice to property buyers are not expected to be issued until next year.

The Group will continue with various marketing and selling efforts whenever there is an appropriate window of opportunity. Depending on market conditions, we will continue with and launch projects that will in particular meet the fundamental needs of customers in Mainland China.

We will continue to focus on delivering our existing niche and premium projects in Hong Kong, Shanghai and Guangzhou. Capitalizing on market opportunities and our strong funding position, we are actively seeking opportunities to acquire quality land for development to ensure sustainable growth. All these efforts aim at achieving our objective of generating long term shareholders' value.

FINANCIAL REVIEW

(1) Financial Position

The financial position of the Group remained strong. As of 30 June 2012, total funds employed increased to approximately HK\$26 billion (31 December 2011: HK\$22 billion). The number of the issued shares of the Company increased to 2,576,932,149 shares as of 30 June 2012 (31 December 2011: 2,576,902,149 shares) as a result of certain share options being exercised during the period.

(2) Liquidity and Gearing Ratio

Cash and bank deposits as of 30 June 2012 was HK\$5,501 million and the gearing ratio, defined as the total loans outstanding less cash and bank deposits to total equity, stayed at a satisfactory level of 22%.

In May 2012, the Group successfully issued a 5-year US\$200 million in guaranteed notes. Part of the proceeds will be used for refinancing, while the remaining will serve as general working capital enhancing the Group's liquidity.

The Group's liquidity and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its working capital and project development requirements.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimise risk. The majority of the Group's borrowings are in Hong Kong dollar. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to mitigate foreign exchange exposures. Interest rate swap contracts may also be utilised when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the period, the Group has engaged in the use of forward foreign exchange contracts to mitigate US dollar exposure in respect of the principal of the 5-year US\$200 million guaranteed notes issued in May 2012.

(4) Charges on Group Assets

As of 30 June 2012, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights and buildings) with aggregate carrying values of HK\$14,487 million (31 December 2011: HK\$12,115 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 30 June 2012, the Group has executed guarantees in favour of banks and financial institutions in respect of facilities granted to jointly controlled entities and associated companies amounting to HK\$1,518 million (31 December 2011: HK\$2,521 million) and HK\$794

million (31 December 2011: HK\$1,650 million) respectively, of which HK\$1,315 million (31 December 2011: HK\$1,860 million) and HK\$546 million (31 December 2011: HK\$1,054 million) have been utilised respectively. In addition, the Group provided guarantees amounting to HK\$141 million (31 December 2011: HK\$26 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

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.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2012, the Group, excluding its associated companies and jointly controlled entities, employs 456 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$135 million for the period under review.

The Group believes its success, long-term growth and development 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 competent individuals. The Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organizations in the areas in which the Group operates its principal business.

Following approval by the Shareholders in 1989, the Group has put in place a share option scheme for its executives and employees for the purposes of providing competitive remuneration package as well as retaining talents in the long term. Likewise in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

Report on Review of Interim Financial Information



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
K. WAH INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 26, which comprises the condensed consolidated balance sheet of K. Wah International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated profit and loss statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2012

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Condensed Consolidated Profit and Loss Statement (unaudited)

				For the six months ended 30 June	
		Note	2012 HK\$'000	2011	HK\$'000
Revenue	6		2,837,529	863,735	
Cost of sales			(1,014,827)	(290,603)	
Gross profit			1,822,702	573,132	
Other operating income			68,119	24,855	
Other net gains			551,903	169,102	
Other operating expenses			(98,140)	(94,489)	
Administrative expenses			(199,856)	(181,314)	
Change in fair value of investment properties			115,994	48,175	
Finance costs			(21,951)	(10,895)	
Share of profits of jointly controlled entities			1,619,552	3,234	
Share of losses of associated companies			(20,005)	(1,531)	
Profit before taxation	7		3,838,318	530,269	
Taxation charge	8		(898,496)	(95,060)	
Profit for the period			2,939,822	435,209	
Attributable to:					
Equity holders of the Company			2,899,298	410,824	
Non-controlling interests			40,524	24,385	
			2,939,822	435,209	
Earnings per share	9		HK cents	HK cents	
Basic			112.51	16.10	
Diluted			112.17	16.03	
Dividend	10		HK\$'000	HK\$'000	
Interim dividend			130,605	51,064	

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Profit for the period	2,939,822	435,209
Other comprehensive income:		
Change in fair value of non-current investments	799,422	1,264,126
Exchange differences	(66,951)	208,176
Other comprehensive income for the period	732,471	1,472,302
Total comprehensive income for the period	3,672,293	1,907,511
Total comprehensive income attributable to:		
Equity holders of the Company	3,647,966	1,862,352
Non-controlling interests	24,327	45,159
	3,672,293	1,907,511

Condensed Consolidated Balance Sheet (unaudited)

As at 30 June 2012

	Note	(unaudited) 30 June 2012 HK\$'000	31 December 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		610,672	605,121
Investment properties		4,797,343	4,555,685
Leasehold land and land use rights		16,043	16,479
Jointly controlled entities		2,451,325	2,658,402
Associated companies		421,007	1,327,832
Non-current investments		3,109,945	2,310,523
Deferred taxation assets		34,124	40,848
Other non-current assets	12	109,707	106,781
		11,550,166	11,621,671
Current assets			
Development properties		10,784,188	11,146,166
Inventories		6,892	9,557
Amount due from a jointly controlled entity		1,156,046	—
Amount due from an associated company		523,327	—
Debtors and prepayments	13	558,073	213,281
Tax recoverable		25,224	9,750
Structured bank deposits		1,748,037	968,299
Cash and bank deposits	14	3,752,852	3,594,592
		18,554,639	15,941,645
Total assets		30,104,805	27,563,316
EQUITY			
Share capital	15	257,693	257,690
Reserves		15,981,787	12,491,475
Shareholders' funds		16,239,480	12,749,165
Non-controlling interests		1,020,813	996,486
Total equity		17,260,293	13,745,651
LIABILITIES			
Non-current liabilities			
Borrowings	16	3,884,391	5,448,377
Guaranteed notes	17	1,551,056	—
Deferred taxation liabilities		981,198	912,207
		6,416,645	6,360,584
Current liabilities			
Amounts due to jointly controlled entities		67,859	67,148
Amount due to an associated company		53,935	—
Creditors and accruals	18	1,471,406	3,363,680
Current portion of borrowings	16	3,829,291	3,111,313
Taxes payable		1,005,376	914,940
		6,427,867	7,457,081
Total liabilities		12,844,512	13,817,665
Total equity and liabilities		30,104,805	27,563,316
Net current assets		12,126,772	8,484,564
Total assets less current liabilities		23,676,938	20,106,235

Condensed Consolidated Cash Flow Statement (unaudited)

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Net cash (used in)/generated from operating activities	(1,156,950)	1,402,363
Net cash generated from/(used in) investing activities	655,670	(144,856)
Net cash generated from/(used in) financing activities	673,224	(1,253,978)
Net increase in cash and cash equivalents	171,944	3,529
Cash and cash equivalents at beginning of the period	3,070,354	3,079,871
Changes in exchange rates	(10,790)	54,701
Cash and cash equivalents at end of the period	3,231,508	3,138,101

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2012

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31 December 2011	257,690	5,204,646	7,286,829	12,749,165	996,486	13,745,651
Comprehensive income:						
Profit for the period	—	—	2,899,298	2,899,298	40,524	2,939,822
Transfer to profit or loss on disposal of a jointly controlled entity	—	(156,838)	—	(156,838)	—	(156,838)
Other comprehensive income:						
Other comprehensive income for the period	—	743,648	—	743,648	(11,177)	732,471
Transactions with equity holders:						
Issue of shares upon exercise of share options	3	25	—	28	—	28
Fair value of share options	—	5,893	—	5,893	—	5,893
Lapse of share options	—	(427)	427	—	—	—
Acquisition of additional interest in a subsidiary from non-controlling interests	—	—	(1,714)	(1,714)	(5,020)	(6,734)
At 30 June 2012	257,693	5,796,947	10,184,840	16,239,480	1,020,813	17,260,293
At 31 December 2010	255,082	3,877,572	6,075,851	10,208,505	896,919	11,105,424
Comprehensive income:						
Profit for the period	—	—	410,824	410,824	24,385	435,209
Other comprehensive income:						
Other comprehensive income for the period	—	1,451,528	—	1,451,528	20,774	1,472,302
Transactions with equity holders:						
Issue of shares upon exercise of share options	221	3,514	—	3,735	—	3,735
Lapse of share options	—	(1,947)	1,947	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	20,966	20,966
At 30 June 2011	255,303	5,330,667	6,488,622	12,074,592	963,044	13,037,636

Notes to the Interim Financial Information

1 GENERAL INFORMATION

K. Wah International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Exchange”). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong, Mainland China and Singapore.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investments and derivative financial instrument, 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011 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 condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011, except as stated below.

The adoption of revised HKFRSs

In 2012, the Group adopted the revised amendment of HKFRS below, which is relevant to its operations.

HKFRS 7 (Amendment)	Financial Instruments: Transfers of Financial Assets
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The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the condensed consolidated interim financial information.

2 BASIS OF PREPARATION (cont'd)

		Effective for accounting periods beginning on or after
<u>Standards and amendments to existing standards that are not yet effective</u>		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting	1 January 2014
	Financial Assets and Financial Liabilities	
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting	1 January 2013
	Financial Assets and Financial Liabilities	
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Mandatory	1 January 2015
	Effective Date of HKFRS 9 and Transition	
	Disclosures	
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HKICPA's annual improvements to certain HKFRSs published in June 2012		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2013
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation	1 January 2013
HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2013

The Group has not early adopted the above new standards and amendments, which are relevant to its operations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the condensed consolidated interim financial information will result.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

In the normal course of business, the Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity.

The condensed consolidated interim financial information which does not include all financial risk management information and disclosures required in the annual financial statements, should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

There have been no material changes in the Group's financial risk management structure, policies and procedures since year ended 31 December 2011.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

(c) Estimates of fair value of financial instruments

In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2012, there were no transfers of financial assets or financial liabilities between the levels in the hierarchy.

In 2012, there were no reclassifications of financial assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions applied in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011.

5 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. 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 of Directors 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, gain on disposal of a jointly controlled entity and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of jointly controlled entities 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 primarily consist of property, plant and equipment, leasehold land and land use right, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, tax recoverable, cash and bank deposits and other assets mainly include non-current investments, hotel building and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to jointly controlled entities and an associated company, borrowings, current and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

5 SEGMENT INFORMATION (cont'd)

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2012						
Revenue	351,512	2,312,847	—	136,880	36,290	2,837,529
Adjusted EBITDA	208,249	1,431,430	(1,129)	117,513	(113,637)	1,642,426
Other income and expenses/gains, net						28,842
Gain on disposal of a jointly controlled entity		493,040				493,040
Depreciation and amortisation						(19,580)
Change in fair value of investment properties				115,994		115,994
Finance costs						(21,951)
Share of profits of jointly controlled entities	1,619,909	(357)				1,619,552
Share of losses of associated companies	(20,005)					(20,005)
Profit before taxation						3,838,318
Taxation charge						(898,496)
Profit for the period						2,939,822
As at 30 June 2012						
Segment assets	2,028,914	13,723,011	132,241	4,938,001	—	20,822,167
Other assets	—	—	—	—	4,730,933	4,730,933
Jointly controlled entities	3,601,306	6,065	—	—	—	3,607,371
Associated companies	944,334	—	—	—	—	944,334
Total assets	6,574,554	13,729,076	132,241	4,938,001	4,730,933	30,104,805
Total liabilities	2,883,962	8,364,579	21,337	1,542,373	32,261	12,844,512
Six months ended 30 June 2011						
Revenue	670,634	37,921	22,014	133,166	—	863,735
Adjusted EBITDA	406,405	(20,830)	11,383	112,152	(111,035)	398,075
Other income and expenses/gains, net						(65,568)
Gain on disposal of an investment property				165,036		165,036
Depreciation and amortisation						(6,257)
Change in fair value of investment properties				48,175		48,175
Finance costs						(10,895)
Share of profits of jointly controlled entities	(1,650)	4,884				3,234
Share of losses of associated companies	(1,531)					(1,531)
Profit before taxation						530,269
Taxation charge						(95,060)
Profit for the period						435,209
As at 31 December 2011						
Segment assets	1,295,277	14,464,310	128,253	4,772,922	—	20,660,762
Other assets	—	—	—	—	2,916,320	2,916,320
Jointly controlled entities	1,940,158	718,244	—	—	—	2,658,402
Associated companies	1,327,832	—	—	—	—	1,327,832
Total assets	4,563,267	15,182,554	128,253	4,772,922	2,916,320	27,563,316
Total liabilities	2,730,755	9,180,160	24,036	1,569,367	313,347	13,817,665

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (cont'd)

Geographical information

The Group operates in three (2011: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the six months ended 30 June 2012 and 2011 and total non-current assets (other than non-current investments, deferred taxation assets and other non-current assets) as at 30 June 2012 and 31 December 2011 by geographical area are as follows:

Revenue

	2012	2011
	HK\$'000	HK\$'000
Hong Kong	358,816	682,086
Mainland China	2,469,755	150,449
Singapore	8,958	31,200
	2,837,529	863,735

Non-current assets

(Other than non-current investments, deferred taxation assets and other non-current assets)

	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	3,356,250	3,729,771
Mainland China	4,739,502	5,247,389
Singapore	200,638	186,359
	8,296,390	9,163,519

6 REVENUE

	2012 HK\$'000	2011 HK\$'000
Sale of properties	2,664,359	730,569
Rental income	136,880	133,166
Hotel operations	36,290	—
	2,837,529	863,735

7 PROFIT BEFORE TAXATION

	2012 HK\$'000	2011 HK\$'000
Profit before taxation is stated after crediting:		
Net exchange gains	—	4,109
Interest income	56,287	22,765
Gain on disposal of an investment property	—	165,036
Gain on disposal of a jointly controlled entity	493,040	—
Fair value gain on derivative financial instruments	1,323	—
Gain on transfer of development properties to investment properties	60,713	—
and after charging:		
Cost of properties sold	981,450	281,393
Selling and marketing expenses	91,732	93,914
Depreciation (net of amount capitalised under properties under development of HK\$229,000 (2011: HK\$153,000))	19,234	6,208
Amortisation for leasehold land and land use rights	346	49
Net exchange losses	3,136	—
Operating lease rental for land and buildings	785	712
Loss on disposal of property, plant and equipment	36	43

Notes to the Interim Financial Information

8 TAXATION CHARGE

	2012 HK\$'000	2011 HK\$'000
Current		
Hong Kong profits tax	24,974	52,203
Mainland China		
— Income tax	299,419	17,858
— Land appreciation tax	492,391	9,810
Overseas	303	1,942
Under/(over) provision in previous years	1,445	(201)
Deferred	79,964	13,448
	898,496	95,060

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in Mainland China and overseas in which the Group operates.

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

There is no income tax provided on other comprehensive income.

9 EARNINGS PER SHARE

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

	2012	2011
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	2,899,298	410,824

	Number of shares	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	2,576,907,000	2,551,612,000
Effect of dilutive potential ordinary shares — Share options	7,852,000	11,225,000
Weighted average number of shares for calculating diluted earnings per share	2,584,759,000	2,562,837,000

10 DIVIDEND

The Board has declared an interim scrip dividend (with a cash option) of HK\$130,605,000 (being 5 HK cent per share) (2011: an interim scrip dividend (with a cash option) of 2 HK cents per share, totaling HK\$51,064,000). This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31 December 2012.

11 CAPITAL EXPENDITURE

For the six months ended 30 June 2012, the Group incurred HK\$28 million (2011: HK\$74 million) on property, plant and equipment.

12 OTHER NON-CURRENT ASSETS

	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Derivative financial instrument	1,323	—
Other receivables	108,384	106,781
	109,707	106,781

Notes to the Interim Financial Information

13 DEBTORS AND PREPAYMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade debtors, net of provision	355,481	2,850
Other debtors, net of provision	69,934	54,836
Amount due from a non-controlling interest	7,078	7,117
Land deposits	9,706	9,706
Prepayments and other deposits	115,874	138,772
	558,073	213,281

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. 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 doubtful debts is as follows:

Within one month	332,137	2,057
Two to three months	10,440	748
Four to six months	304	2
Over six months	12,600	43
	355,481	2,850

14 CASH AND BANK DEPOSITS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Short-term bank deposits maturing after three months	521,344	524,238
Cash and cash equivalents	3,231,508	3,070,354
	3,752,852	3,594,592

15 SHARE CAPITAL

	2012		2011	
	Shares of HK\$0.10 each	HK\$'000	Shares of HK\$0.10 each	HK\$'000
Authorised				
At 1 January and 30 June	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid				
At 1 January	2,576,902,149	257,690	2,550,821,810	255,082
Share options exercised	30,000	3	2,212,400	221
At 30 June	2,576,932,149	257,693	2,553,034,210	255,303

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. During the period, options to subscribe for 30,000 shares were exercised (2011: 2,212,400 shares).

The fair value of options granted during 2012, as determined by using the Black-Scholes valuation model, was HK\$12 million. The significant inputs into the model were share price of HK\$2.12 at the valuation date, exercise price at the date of granting the options, expected volatility of 50%, expected life of options of 3.5 years, expected dividend yield of 1.73% and annual risk-free interest rate of 0.49%. The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over the past 4 years.

Share options outstanding have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2012	31 December 2011
27 November 2008 to 26 November 2017	4.636	8,551,000	8,771,000
27 November 2008 to 26 November 2017	3.882	3,369,000	3,436,000
3 March 2010 to 2 March 2014	0.938	11,794,650	11,864,650
17 January 2013 to 16 January 2018	2.120	17,084,000	—
		40,798,650	24,071,650

Notes to the Interim Financial Information

16 BORROWINGS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Long term bank loans		
Secured	3,641,655	3,124,187
Unsecured	3,729,793	5,163,369
Short term bank loans — unsecured	7,371,448	8,287,556
	342,234	272,134
Current portion included in current liabilities	7,713,682	8,559,690
	(3,829,291)	(3,111,313)
	3,884,391	5,448,377

17 GUARANTEED NOTES

On 7 May 2012, K. Wah International Financial Services Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes (the "notes") in the aggregate principal amount of US\$200 million. The notes are guaranteed by the Company and carry a coupon rate of 5.375% per annum and have a maturity of 5 years. The notes are listed on the Exchange. The market value of the notes as at 30 June 2012 was HK\$1,568 million.

18 CREDITORS AND ACCRUALS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade creditors	617,044	877,402
Other creditors	51,335	60,080
Amounts due to non-controlling interests	33,450	69,220
Accrued operating expenses	67,292	46,082
Advanced proceeds on sale of properties	615,406	2,220,919
Rental deposits received	86,879	89,977
	1,471,406	3,363,680

18 CREDITORS AND ACCRUALS (cont'd)

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one month	497,247	807,293
Two to three months	4,287	3,032
Over six months	115,510	67,077
	617,044	877,402

19 COMMITMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Contracted but not provided for Commitments in respect of property developments of the Group and its jointly controlled entities	2,687,244	2,800,599

20 GUARANTEES

As of 30 June 2012, the Group has executed the following guarantees in favour of the following parties:

	30 June 2012		31 December 2011	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
— jointly controlled entities	1,517,800	1,315,300	2,521,250	1,859,650
— associated companies	793,650	546,300	1,650,000	1,053,900
— properties buyers	140,872	140,872	26,150	26,150
	2,452,322	2,002,472	4,197,400	2,939,700

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.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Notes to the Interim Financial Information

21 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial information which in the opinion of the Directors, were carried out in the normal course of business during the period:

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2012	2011
	HK\$'000	HK\$'000
Fees	650	293
Salaries and other emoluments	11,318	12,206
Discretionary bonuses	3,203	1,297
Pension costs — defined contribution plans	1,111	1,189
Share option	2,924	—
	19,206	14,985

- (b) Rental income from an investee company amounted to HK\$792,000 (2011: HK\$1,054,000) based on the terms of rental agreement between the parties.

22 ACQUISITION OF INTEREST IN A SUBSIDIARY FROM NON-CONTROLLING INTERESTS

In January 2012, the Group acquired an additional 5% equity interest in Shanghai Jia Gang Cheng Real Estate Development Co., Ltd (“Jia Gang Cheng”) at a total consideration of HK\$6.7 million. Upon completion of this transaction, the Group’s shareholding in Jia Gang Cheng increased from 95% to 100%. The effect of changes in the ownership interest in Jia Gang Cheng on the equity attributable to the shareholders of the Company during the period was disclosed in the condensed consolidated statement of changes in equity.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As of 30 June 2012, the interests and short positions of each director of the Company ("Director") in the ordinary shares of the Company ("Shares"), underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the Exchange ("Listing Rules"), were as follows:

(a) Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	15,408,788	7,649,647 ⁽¹⁾	3,263,150 ⁽²⁾	1,532,793,048 ⁽³⁾	1,559,114,633	60.50
Francis Lui Yiu Tung	5,938,035	—	—	1,532,793,048 ⁽³⁾	1,538,731,083	59.71
Paddy Tang Lui Wai Yu	15,984,458	—	—	1,532,793,048 ⁽³⁾	1,548,777,506	60.10
Alexander Lui Yiu Wah	8,337,537	—	3,757,589 ⁽⁴⁾	1,532,793,048 ⁽³⁾	1,544,888,174	59.95
Moses Cheng Mo Chi	200,000	—	—	—	200,000	0.01
Robin Chan Yau Hing	1,666,158	—	—	—	1,666,158	0.06
William Yip Shue Lam	200,000	—	—	—	200,000	0.01
Poon Chung Kwong	200,000	—	—	—	200,000	0.01
Au Man Chu	200,000	—	—	—	200,000	0.01
Wong Kwai Lam	400,000	—	—	—	400,000	0.02

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 7,649,647 Shares through the interests of his spouse.
- (2) Such Shares are held by a company which is beneficially owned and controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as founder. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

Other Information

(b) Underlying Shares — Share Options

Share options, which are unlisted and physically settled, to subscribe for Shares were beneficially held by certain Directors.

Particulars of the movement of the options held by each of the Directors, the employees of the Company and its affiliates (other than the Directors) in aggregate and other participants granted under the Share Option Scheme of the Company during the Period were as follows:

Holders	Date of grant	Number of options				Held at 30 June 2012	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2012	Granted during the Period ^(a)	Exercised during the Period	Lapsed during the Period			
Lui Che-woo	27 Nov 2007	1,055,000	—	—	—	1,055,000	4.636	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,517,500	—	—	—	3,517,500	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	—	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
Francis Lui Yiu Tung	17 Jan 2012	—	1,400,000	—	—	1,400,000	2.120	17 Jan 2013–16 Jan 2018
Paddy Tang Lui Wai Yu	27 Nov 2007	940,000	—	—	—	940,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,133,400	—	—	—	3,133,400	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	—	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
Alexander Lui Yiu Wah	27 Nov 2007	990,000	—	—	—	990,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,300,000	—	—	—	3,300,000	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	—	2,358,000	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
Moses Cheng Mo Chi	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
Robin Chan Yau Hing	27 Nov 2007	500,000	—	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
William Yip Shue Lam	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
Poon Chung Kwong	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
Au Man Chu	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
Wong Kwai Lam	17 Jan 2012	—	200,000	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
Employees (in aggregate)	27 Nov 2007	4,964,000	—	—	220,000	4,744,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	1,436,000	—	—	67,000	1,369,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	643,750	—	30,000 ^(b)	40,000	573,750	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	—	7,590,000	—	180,000	7,410,000	2.120	17 Jan 2013–16 Jan 2018
Others	27 Nov 2007	322,000	—	—	—	322,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	400,000	—	—	—	400,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	1,270,000	—	—	—	1,270,000	0.938	3 Mar 2010–2 Mar 2014

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the Period was HK\$2.030 per share.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the Period was HK\$3.090 per share.

Except for the options granted on 24 January 2008 which vested on 27 November 2008, the other options granted were subject to a one-year vesting period.

On 17 January 2012, the Company granted 17,264,000 share options (all at subscription price of HK\$2.120 per share) to the Directors and selected employees of the Company and its affiliates, of which 180,000 share options have since lapsed.

The fair value of the share options granted during the Period is set out in Note 15 to the Interim Financial Information.

No option was cancelled during the Period.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, jointly controlled entity and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 30 June 2012, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 30 June 2012, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the Exchange were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited	1,532,793,048	59.48
CWL Assets (PTC) Limited	1,532,793,048	59.48
Super Focus Company Limited	1,144,900,574	44.43
Star II Limited	204,085,618	7.92
Favor Right Investments Limited	146,175,971	5.67
Premium Capital Profits Limited	142,776,400	5.54

Other Information

Note:

HSBC International Trustee Limited is the trustee of a discretionary trust established by Dr. Lui Che-woo as the founder which was interested in 1,532,793,048 Shares. Such Shares are the aggregation of (i) 146,175,971 Shares held by Favor Right Investments Limited, (ii) 37,630,885 Shares held by Best Chance Investments Limited, (iii) 1,144,900,574 Shares held by Super Focus Company Limited, (iv) 142,776,400 Shares held by Premium Capital Profits Limited, and (v) 61,309,218 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

There was duplication of interests of 1,532,793,048 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,144,900,574 Shares were interested by Super Focus Company Limited, 37,630,885 Shares were interested by Best Chance Investments Limited, 146,175,971 Shares were interested by Favor Right Investments Limited, 142,776,400 Shares were interested between Premium Capital Profits Limited and Star II Limited and 61,309,218 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 30 June 2012, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 30 June 2012, the Group had given financial assistance and guarantees to financial institution for the benefit of its affiliated companies. In compliance with the requirements of rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	108,851	21,650
Amounts due from shareholders	497,305	121,779
Current assets	35,893,631	8,359,207
Current liabilities	(16,337,207)	(3,440,233)
	20,162,580	5,062,403
Share capital	68	26
Reserves	4,490,264	1,638,339
Amounts due to shareholders	12,812,248	2,913,138
Non-current liabilities	2,860,000	510,900
	20,162,580	5,062,403

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 securities during the Period.

AUDIT COMMITTEE

The Audit Committee of the Company met on 21 August 2012 and reviewed the Company's accounting principles and practices 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 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Company's Code of Conduct for Securities Transactions by Directors ("Model Code"). Having made specific enquiries with all its Directors, the Company confirms that during the Period all its Directors have complied with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to principles of good corporate governance consistent with enhancement of long term shareholders' value. The Board has adopted a corporate governance policy which gives guidance on how corporate governance principles are applied to the Company. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence.

During the Period, the Company has complied with the code provisions ("CG Codes") of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Listing Rules on the Exchange at that time, except the deviations from (i) CG Code A.2.1, namely, the roles of chairman and managing director have not been separated; (ii) CG Code A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation; and (iii) CG Code A.6.7, namely, a Non-executive Director was unable to attend the annual general meeting of the Company held on 30 May 2012 as he was away from Hong Kong due to another engagement.

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 2011 Annual Report still holds. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

Other Information

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Dr. Lui Che-Woo (*Chairman and Managing Director*) (*Executive Director*)

Dr. Lui was awarded the highest honour of the Grand Bauhinia Medal on 30 June 2012 by the Government of HKSAR.

Mr. Alexander Lui Yiu Wah (*Executive Director*)

Mr. Lui has been again elected as a committee member of Jiangnan City Xinhui District Committee of the 14th Chinese People's Political Consultative Conference in 2012.

Dr. Moses Cheng Mo Chi (*non-Executive Director*)

As informed by Dr. Cheng, he retired as an independent non-executive Director of Hong Kong Exchanges and Clearing Limited, a public listed company on the Main Board of the Exchange, with effect from 23 April 2012.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 3 October 2012 to 5 October 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar 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 28 September 2012.

By Order of the Board

Lee Wai Kwan, Cecilia

Company Secretary

Hong Kong, 28 August 2012

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

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