

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 173)

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

### **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 2010 (“**Period**”) as follows:

- Revenue was HK\$617 million (2009: HK\$1,089 million)
- Profit for the Period was HK\$178 million (2009: HK\$168 million)
- Profit attributable to equity holders of the Company was HK\$155 million (2009: HK\$155 million)
- Earnings per share was 6.25 HK cents (2009: 6.27 HK cents)

### **INTERIM DIVIDEND**

The Board has declared an interim cash dividend for the Period of 1 HK cent per share, totaling HK\$25,502,000 payable on 5 November 2010 to the shareholders whose names appear on the registers of members of the Company at the close of business on 8 October 2010 (2009: an interim cash dividend of 1 HK cent per share, totaling HK\$24,704,000).

**CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (unaudited)**  
**For the six months ended 30 June 2010**

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	<b>616,995</b>	1,088,993
Cost of sales		<b>(202,977)</b>	(480,794)
Gross profit		<b>414,018</b>	608,199
Other operating income		<b>27,517</b>	8,296
Other net gains/(losses)		<b>16,072</b>	(694)
Other operating expenses		<b>(39,972)</b>	(3,616)
Administrative expenses		<b>(148,626)</b>	(112,971)
Change in fair value of investment properties		<b>20,982</b>	(71,040)
Finance costs		<b>(5,722)</b>	(42,181)
Share of profits/(losses) of jointly controlled entities		<b>28,953</b>	(13,855)
Share of losses of associated companies		<b>(29)</b>	(31)
Profit before taxation	4	<b>313,193</b>	372,107
Taxation charge	5	<b>(135,507)</b>	(204,571)
<b>Profit for the period</b>		<b>177,686</b>	167,536
Attributable to:			
Equity holders of the Company		<b>154,815</b>	154,847
Non-controlling interests		<b>22,871</b>	12,689
		<b>177,686</b>	167,536
Interim dividend	6	<b>25,502</b>	24,704
Earnings per share	7	<i>HK cents</i>	<i>HK cents</i>
Basic		<b>6.25</b>	6.27
Diluted		<b>6.22</b>	6.27

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(unaudited)**

**For the six months ended 30 June 2010**

	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>177,686</b>	167,536
Other comprehensive income		
Change in fair value of non-current investments	<b>168,984</b>	159,234
Change in fair value of land and buildings transferred to investment properties	<b>4,132</b>	-
Exchange differences	<b>23,658</b>	93
Other comprehensive income for the period, net of tax	<b>196,774</b>	159,327
<b>Total comprehensive income for the period</b>	<b>374,460</b>	326,863
Total comprehensive income attributable to		
Equity holders of the Company	<b>344,651</b>	313,946
Non-controlling interests	<b>29,809</b>	12,917
	<b>374,460</b>	326,863

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 30 June 2010**

		(Unaudited)	(Restated)
		30 June	31 December
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		387,360	273,057
Investment properties		4,370,077	4,364,555
Leasehold land and land use rights		15,155	12,619
Jointly controlled entities		2,533,765	2,391,362
Associated companies		1,163,758	739,898
Non-current investments		687,308	518,324
Deferred taxation assets		29,365	24,320
Other non-current assets		102,786	100,112
		<u>9,289,574</u>	<u>8,424,247</u>
<b>Current assets</b>			
Development properties		8,657,593	7,106,032
Debtors and prepayments	8	424,464	298,423
Amounts due from jointly controlled entities		-	59,540
Tax recoverable		2,629	3,931
Structured bank deposits		-	499,796
Cash and bank balances		1,851,376	1,773,837
		<u>10,936,062</u>	<u>9,741,559</u>
<b>Total assets</b>		<u>20,225,636</u>	<u>18,165,806</u>
<b>EQUITY</b>			
Share capital		247,929	247,038
Reserves		8,727,148	8,657,477
Shareholders' funds		8,975,077	8,904,515
Non-controlling interests		846,690	1,492,701
<b>Total equity</b>		<u>9,821,767</u>	<u>10,397,216</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		4,340,983	4,427,579
Deferred taxation liabilities		823,462	788,177
		<u>5,164,445</u>	<u>5,215,756</u>
<b>Current liabilities</b>			
Amounts due to jointly controlled entities		67,264	66,780
Creditors and accruals	9	540,173	703,502
Current portion of borrowings		3,731,713	1,207,899
Tax payable		652,360	574,653
Dividend payable		247,914	-
		<u>5,239,424</u>	<u>2,552,834</u>
<b>Total liabilities</b>		<u>10,403,869</u>	<u>7,768,590</u>
<b>Total equity and liabilities</b>		<u>20,225,636</u>	<u>18,165,806</u>
<b>Net current assets</b>		<u>5,696,638</u>	<u>7,188,725</u>
<b>Total assets less current liabilities</b>		<u>14,986,212</u>	<u>15,612,972</u>

## NOTES

### 1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared under the historical cost convention, as modified by the revaluation of investment properties and non-current investments, which are carried at fair value and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009 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 2009, except as stated below.

#### The adoption of new/revised HKFRSs

In 2010, the Group adopted the new/revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKFRS 3 (Revised)	Business Combinations
HKFRS 8 (Amendment)	Operating Segments
HK(IFRIC) — Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers

#### Annual improvements to HKFRSs published in May 2009

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Share-based payments
HKFRS 8 (Amendment)	Operating Segments

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations 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 except for HKAS 17 (Amendment) and HKAS 27 (Revised).

HKAS 17 (Amendment) requires the Group to reassess the classification of leasehold land as finance or operating leases. Certain property leases were therefore reclassified from operating leases to finance leases with the adoption of the amendment and the related assets were reclassified from leasehold land to property, plant and equipment in the financial information. As this is a change in classification, the comparative figure as at 31 December 2009 amounting to HK\$53,414,000 (as at 1 January 2009: HK\$54,116,000) in the financial information is reclassified from leasehold land to property, plant and equipment.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is transferred to fair value, the difference between its fair value and carrying amount is recognized in the condensed consolidated profit and loss statement.

The adoption of HKAS 27 (Revised) has resulted in a difference between the consideration paid and the relevant share of the carrying net asset value acquired from the non-controlling interests of HK\$35,236,000 which is now recorded in equity.

## 1. Basis of preparation (Cont'd)

Standards, amendments and interpretations to existing standards that are not yet effective

### New/revised standards, amendments and interpretations

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Parties Disclosures	1 January 2011
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 July 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) Int – 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011

### Annual improvements to HKFRSs published in May 2010

		Effective for accounting periods beginning on or after
HKAS 1	Presentation of Financial Statements	1 January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 January 2011
HKAS 34	Interim Financial Reporting	1 January 2011
HKFRS 3 (Revised)	Business Combination	1 July 2010
HKFRS 7	Financial Instruments: Disclosure	1 January 2011

The Group has not early adopted the above new/revised standards, amendments and interpretations, 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.

## 2. Segment information

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore and trading of plant and machinery in Japan. 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, property investment and trading of plant and machinery. 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 gains/losses 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 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, properties, debtors and prepayments, tax recoverable and cash, deposits and bank balances and other assets mainly include non-current investments and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to jointly controlled entities, borrowings, current and deferred taxation liabilities. Other liabilities included liabilities not arising from the operation of the operating segments.

## 2. Segment information (Cont'd)

	Property development			Property investment	Trading	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2010</b>							
Revenue	178,946	279,418	-	125,141	33,490	-	616,995
Adjusted EBITDA	91,531	156,396	(648)	111,178	(7,105)	(82,069)	269,283
Other income/gain, net							3,617
Depreciation and amortisation							(3,891)
Change in fair value of investment properties							20,982
Finance costs							(5,722)
Share of profits of jointly controlled entities	1,408	27,545	-	-	-	-	28,953
Share of losses of associated companies	(29)	-	-	-	-	-	(29)
Profit before taxation							313,193
Taxation charge							(135,507)
Profit for the period							177,686
<b>As at 30 June 2010</b>							
Segment assets	1,741,674	9,260,109	64,365	4,571,728	25,952	-	15,663,828
Other assets	-	-	-	-	-	864,285	864,285
Jointly controlled entities	1,851,758	682,007	-	-	-	-	2,533,765
Associated companies	1,163,758	-	-	-	-	-	1,163,758
Total assets	4,757,190	9,942,116	64,365	4,571,728	25,952	864,285	20,225,636
Total liabilities	4,139,811	3,443,491	23,651	2,407,275	20,583	369,058	10,403,869
<b>Six months ended 30 June 2009</b>							
Revenue	50,376	848,803	-	130,223	59,591	-	1,088,993
Adjusted EBITDA	25,127	420,907	(597)	114,180	5,815	(66,779)	498,653
Other income/gain, net							3,986
Depreciation and amortisation							(3,425)
Change in fair value of investment properties							(71,040)
Finance costs							(42,181)
Share of profits/(losses) of jointly controlled entities	164	(14,019)	-	-	-	-	(13,855)
Share of losses of associated companies	(31)	-	-	-	-	-	(31)
Profit before taxation							372,107
Taxation charge							(204,571)
Profit for the period							167,536
<b>As at 31 December 2009</b>							
Segment assets	1,726,077	7,977,047	60,772	4,518,487	26,566	-	14,308,949
Other assets	-	-	-	-	-	725,597	725,597
Jointly controlled entities	1,739,707	651,655	-	-	-	-	2,391,362
Associated companies	739,898	-	-	-	-	-	739,898
Total assets	4,205,682	8,628,702	60,772	4,518,487	26,566	725,597	18,165,806
Total liabilities	3,350,928	2,696,751	23,870	1,633,034	14,244	49,763	7,768,590

## 2. Segment information (Cont'd)

Geographical segment information

The Group operates in four main geographical areas, including Hong Kong, Mainland China, Singapore and Japan.

The revenue for the six months ended 30 June 2010 and 2009 and total non-current assets as at 30 June 2010 and 31 December 2009 by geographical area are as follows:

### Revenue

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Hong Kong	<b>190,782</b>	61,828
Mainland China	<b>383,184</b>	957,959
Singapore	<b>9,539</b>	9,615
Japan	<b>33,490</b>	59,591
	<b><u>616,995</u></b>	<b><u>1,088,993</u></b>

### Non-current assets

	<b>30 June</b> <b>2010</b> <i>HK\$'000</i>	<b>31 December</b> <b>2009</b> <i>HK\$'000</i>
Hong Kong	<b>4,333,594</b>	3,604,241
Mainland China	<b>4,803,882</b>	4,669,342
Singapore	<b>151,726</b>	150,240
Japan	<b>372</b>	424
	<b><u>9,289,574</u></b>	<b><u>8,424,247</u></b>

## 3. Revenue

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Sales of properties	<b>458,364</b>	899,179
Rental income	<b>125,141</b>	130,223
Sale of goods	<b>33,490</b>	59,591
	<b><u>616,995</u></b>	<b><u>1,088,993</u></b>



#### 4. Profit before taxation

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Profit before taxation is stated after crediting:</b>		
Net exchange gains	15,838	-
Interest income	14,974	5,499
Dividend income	-	187
Gain on disposal of property, plant and equipment	12	7
	<u>15,838</u>	<u>5,693</u>
<b>and after charging :</b>		
Cost of inventories sold	27,015	49,233
Cost of properties sold	166,632	391,386
Depreciation (net of capitalisation)	3,537	3,020
Amortisation for leasehold land and land use rights	354	405
Net exchange losses	-	701
Operating lease rental for land and buildings	1,101	1,103
	<u>178,039</u>	<u>848,848</u>

#### 5. Taxation charge

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current		
Hong Kong profits tax	9,777	-
Mainland China		
- Income tax	49,604	91,830
- Land appreciation tax	74,506	129,250
Overseas	430	471
Under provision in previous years	1,448	-
Deferred taxation	(258)	(16,980)
	<u>135,507</u>	<u>204,571</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward. Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

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

## 6. Interim dividend

The Board has declared an interim cash dividend of HK\$25,502,000 (being 1 HK cent per share) (2009: an interim cash dividend of 1 HK cent per share, totaling HK\$24,704,000). This amount will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2010.

## 7. Earnings per share

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for calculation of basic and diluted earnings per share	<u>154,815</u>	<u>154,847</u>
	2010	2009
Weighted average number of shares for calculating basic earnings per share	2,475,090,000	2,470,383,000
Effect of dilutive potential ordinary shares		
- Share options	<u>14,417,000</u>	<u>99,000</u>
Weighted average number of shares for calculating diluted earnings per share	<u>2,489,507,000</u>	<u>2,470,482,000</u>

## 8. Debtors and prepayments

	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Trade debtors, net of provision	44,703	12,016
Other debtors, net of provision	357,796	31,300
Land deposits, net of impairment	9,706	235,646
Prepayments and deposits	<u>12,259</u>	<u>19,461</u>
	<u>424,464</u>	<u>298,423</u>

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

Other debtors include a guarantee deposit of HK\$298 million to a bank for the administrative process of re-financing. The amount has been repaid in August 2010 as the re-financing procedures have been completed.

## 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:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within one month	43,452	9,268
Two to three months	1,178	2,738
Four to six months	28	10
Over six months	45	-
	<u>44,703</u>	<u>12,016</u>

## 9. Creditors and accruals

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Trade creditors	194,361	264,674
Other creditors	71,058	64,665
Amounts due to non-controlling interests	123,218	108,941
Accrued operating expenses	54,594	44,703
Advanced proceeds on sale of properties	10,402	134,201
Deposits received	86,540	86,318
	<u>540,173</u>	<u>703,502</u>

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

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within one month	115,063	263,071
Two to three months	73,060	1,547
Four to six months	-	24
Over six months	6,238	32
	<u>194,361</u>	<u>264,674</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

#### **Operating Results**

Revenue and net profit for the period ended 30 June 2010 were HK\$617 million and HK\$178 million respectively, as compared to the corresponding period of HK\$1,089 million and HK\$168 million respectively.

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

Despite the tightening policies and measures introduced by the Central Government, the real estate market in Mainland China particularly in core cities remains positive especially for high quality residential property. The Group has continued to sell the residential units of Shanghai Westwood Phase II.

During the Period, the Group acquired a piece of land in Shanghai Qingpu District with a total gross floor area of approximately 70,000 square metres. The planning and design work of this newly acquired land has been commenced. Other existing development projects were progressing in accordance with schedules.

The Group also completed the acquisition of a company holding 30% interest in its investment property, Shanghai K. Wah Centre. Upon the acquisition, the effective interest of the Group in the property has been increased from 39.6% to 69.6% which enables the Group to have a greater share in the rental income and future capital gain on the property.

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

The property market in Hong Kong has showed signs of slowdown following the government's attempt to cool off overheating market. However, on the back of heavy fund inflows and demand from local end users amid low interest rates, the real estate trading activity remains active recently. The completed property of the Group, The Great Hill, continues to have sales concluded with satisfactory prices. The development of existing projects is on schedule and in good progress.

During the Period, the Group achieved satisfactory occupancy and rental rates for its investment properties.

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

The Group continues to hold its investment in GEG which is being carried at fair value. As of 30 June 2010, the share price of GEG was HK\$4.23 per share compared to HK\$3.19 per share as of 31 December 2009. The change in fair value of approximately HK\$169 million was recorded as an increase in reserve.

## **Outlook**

There has been some concern about possible price correction in the real estate market in both Hong Kong and Mainland China after the surge of property sales and prices in 2009. The governments have taken measures to cool the market and have introduced a series of policies and measures. Notwithstanding the above measures, the Group remains cautiously optimistic about the long term outlook of the property markets in both Hong Kong and Mainland China. We will continue to adjust our business strategies flexibly to the changing market conditions and to pursue the spirit of excellence with quality products and services.

## **FINANCIAL REVIEW**

### **(1) Financial Position**

The financial position of the Group remained strong. As of 30 June 2010, total funds employed increased to approximately HK\$18 billion (31 December 2009: HK\$16 billion).

The number of the issued shares of the Company increased as a result of certain share options being exercised during the Period. The dilution effect is minimal and was offset by the profit earned for the Period.

### **(2) Liquidity and Gearing Ratio**

Cash and bank balances as of 30 June 2010 was HK\$1,851 million and the gearing ratio, defined as the total loans outstanding less cash and bank balances and deposits to total assets excluding cash and bank balances and deposits, stayed at a satisfactory level of 34% as at 30 June 2010.

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 hedge against 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 not engaged in the use of derivative products.

### **(4) Charges on Group Assets**

As of 30 June 2010, 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\$8,508 million (31 December 2009: HK\$8,267 million) to banks to secure the Group's borrowing facilities.

## **(5) Guarantees**

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, jointly controlled entities and associated companies amounting to HK\$5,981 million (31 December 2009: HK\$5,652 million), HK\$2,521 million (31 December 2009: HK\$2,404 million) and HK\$1,650 million (31 December 2009: HK\$1,009 million) respectively, of which HK\$5,549 million (31 December 2009: HK\$4,352 million), HK\$1,620 million (31 December 2009: HK\$1,495 million) and HK\$1,054 million (31 December 2009: HK\$658 million) have been utilised respectively.

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 2010, the Group, excluding its associated companies and jointly controlled entities, employs 394 employees in Hong Kong and the Mainland China. Employee costs, excluding Directors' emoluments, are amounted to HK\$118 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 the Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

## **CORPORATE GOVERNANCE**

During the Period, save for code provisions A.2.1 and A.4.2, the Company has complied with all the code provisions in the Code on Corporate Governance Practices set out in the Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited. The Board believes that the underlying rationale for such deviations, as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2009 Annual Report ("**2009 Annual Report**"), still holds. The Board will continue to review and recommend such steps and action as appropriate in the circumstances of such deviations. Since the 2009 Annual Report, Dr. The Hon. Leo Lee Tung Hai, an independent non-executive director, passed away on 8 June 2010.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has met on 16 August 2010 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.

## **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.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members will be closed from 4 October 2010 to 8 October 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, shareholders must ensure that all duly completed transfers together with the relevant share certificates are lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 September 2010.

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

This interim results announcement is published on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited ("**HKEx**"). The 2010 Interim Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and the HKEx in late September 2010.

## **DIRECTORS**

As at the date of this announcement, the Executive Directors are Dr. Che-woo Lui (*Chairman & Managing Director*), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan; the Non-executive Directors are Mr. Michael Leung Man Kin and Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Sir David Akers-Jones, Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Prof. Poon Chung Kwong.

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

Hong Kong, 24 August 2010

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

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