



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

(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)

跨越·創新領域
Building Blocks for the Future



Interim Report 2007 中期報告

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Corporate Information

CHAIRMAN

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

MANAGING DIRECTOR

Mr. Eddie Hui Ki On (Acting), GBS, CBE, QPM, CPM

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung

Mr. Lennon Lun Tsan Kau (Deputy Managing Director)

Ms. Paddy Tang Lui Wai Yu, JP

NON-EXECUTIVE DIRECTORS

Sir David Akers-Jones, KBE, GBM, CMG, Hon. RICS, JP*

Mr. Michael Leung Man Kin, CBE, JP

Dr. Philip Wong Kin Hang, GBS, JP, LLD, DH

Dr. The Hon. Leo Lee Tung Hai, GBM, GBS, LLD, JP*

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

Dr. Charles Cheung Wai Bun, JP*

Mr. Robert George Nield*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Mr. Ricky Chan Ming Tak, LLM

QUALIFIED ACCOUNTANT

Mr. Ken Wong Chun Keung, FCCA, CPA, FCGA

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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K. Wah Centre
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PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Bermuda) Limited
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Pembroke HM 08
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HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
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SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

Hong Kong Stock Exchange	:	173
Bloomberg	:	173 HK
Reuters	:	0173.HK

BOND LISTING

Luxembourg Stock Exchange

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 for the six months ended 30 June 2007 (“Period”) of the Company and its subsidiaries (“Group”) as follows:

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

INTERIM DIVIDEND

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

Management Discussion and Analysis

(I) BUSINESS REVIEW AND OUTLOOK

Operating Results

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

Property Development and Investment in Mainland China

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

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

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

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

Property Development and Investment in Hong Kong

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

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

Investment in Galaxy Entertainment Group Limited (GEG)

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

Post Balance Sheet Event

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

(II) FINANCIAL REVIEW

Financial Position

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

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

Management Discussion and Analysis

Liquidity and Gearing Ratio

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

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

Treasury Policies

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

Charges on Group Assets

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

Guarantees

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

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

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

Employees and Remuneration Policy

As of 30 June 2007, the Group, excluding jointly controlled entities, employs 225 employees in Hong Kong and Mainland China. Employee costs, excluding Directors' emoluments, amounted to HK\$43 million for the period under review.

The Group continues to attract, retain, motivate and promote competent and committed individuals for its long term success and growth. The Group believes our remuneration packages are fair and competitive based on quality, merit and development potentials.

With approval by the shareholders in 1989, the Group has a share option scheme for executives for the purpose of providing competitive remuneration package and long term retention of management talents. Likewise in Mainland China, employees' remuneration is commensurate with market pay levels with the emphasis on provision of training and development opportunities.

Review Report of the Independent Auditors

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 of K. Wah International Holdings Limited (the “Company”) set out on pages 8 to 18, which comprises the consolidated balance sheet as at 30 June 2007, and the consolidated profit and loss statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months then ended, and a summary of other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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, 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, 13 September 2007

Consolidated Profit and Loss Statement (unaudited)

For the six months ended 30 June 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	5	1,758,554	129,203
Cost of sales		(1,286,769)	(35,376)
Gross profit		471,785	93,827
Other operating income		67,386	28,530
Administrative expenses		(61,183)	(59,826)
Other operating expenses		(1,224)	(1,413)
Change in fair value of investment properties		99,365	537,139
Operating profit	5 & 6	576,129	598,257
Finance costs		(40,880)	(48,222)
Share of profits less losses of jointly controlled entities		152,005	1,843
Profit before taxation		687,254	551,878
Taxation charge	7	(98,933)	(185,694)
Profit for the period		588,321	366,184
Attributable to:			
Shareholders		439,487	108,277
Minority interests		148,834	257,907
		588,321	366,184
Interim dividend	8	61,364	24,187

		2007 HK cents	2006 HK cents
Earnings per share	9		
Basic		18.06	4.52
Diluted		17.89	4.49

Consolidated Balance Sheet (unaudited)

As at 30 June 2007

Note	30 June 2007 HK\$'000	31 December 2006 HK\$'000
ASSETS		
Non-current assets		
	53,857	54,297
Property, plant and equipment		
	3,237,766	3,367,669
Investment properties		
	69,426	69,780
Leasehold land and land use rights		
	1,484,344	575,502
Jointly controlled entities		
	4,686,178	4,477,084
Non-current investments		
	8,317	9,592
Other non-current assets		
	9,539,888	8,553,924
Current assets		
	5,485,673	5,309,940
Development properties		
	259,437	283,504
Debtors and prepayments	11	
	1,441	46,590
Tax recoverable		
	593,781	741,060
Cash and bank balances		
	6,340,332	6,381,094
Total assets	15,880,220	14,935,018

Note	30 June 2007 HK\$'000	31 December 2006 HK\$'000
EQUITY		
	243,505	242,995
Share capital	12	
	7,892,250	7,221,368
Reserves		
	8,135,755	7,464,363
Shareholders' funds		
	1,034,280	856,817
Minority interests		
Total equity	9,170,035	8,321,180
LIABILITIES		
Non-current liabilities		
	2,717,088	1,914,731
Borrowings	13	
	438,839	524,085
Deferred taxation liabilities		
	3,155,927	2,438,816
Current liabilities		
	1,961,084	2,967,505
Creditors and accruals	14	
	1,391,500	1,196,256
Current portion of borrowings	13	
	140,805	11,261
Tax payable		
	60,869	—
Dividend payable		
	3,554,258	4,175,022
Total liabilities	6,710,185	6,613,838
Total equity and liabilities	15,880,220	14,935,018

Consolidated Cash Flow Statement (unaudited)

For the six months ended 30 June 2007

	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(381,252)	(333,565)
Net cash (used in)/from investing activities	(716,807)	1,171
Net cash from financing activities	1,000,731	690,080
Net (decrease)/increase in cash and cash equivalents	(97,328)	357,686
Cash and cash equivalents at beginning of period	741,060	255,206
Changes in exchange rates	(49,951)	(16,727)
Cash and cash equivalents at end of period	593,781	596,165

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2007

	Share capital HK\$'000	Other reserves HK\$'000	Revenue reserve HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31 December 2006	242,995	3,174,898	4,046,470	7,464,363	856,817	8,321,180
Exchange differences	—	74,211	—	74,211	28,629	102,840
Exercise of share options	510	8,959	—	9,469	—	9,469
Change in fair value of non-current investments	—	209,094	—	209,094	—	209,094
Profit for the period	—	—	439,487	439,487	148,834	588,321
2006 final dividend	—	—	(60,869)	(60,869)	—	(60,869)
At 30 June 2007	243,505	3,467,162	4,425,088	8,135,755	1,034,280	9,170,035
At 31 December 2005	237,792	1,245,281	3,833,597	5,316,670	355,968	5,672,638
Exchange differences	—	9,729	—	9,729	4,505	14,234
Conversion of convertible bonds, net of tax	2,872	42,367	—	45,239	—	45,239
Exercise of share options	27	167	—	194	—	194
Capital contributions from minority interests	—	—	—	—	933	933
Fair value of share options	—	1,192	—	1,192	—	1,192
Change in fair value of non-current investments	—	1,952,574	—	1,952,574	—	1,952,574
Profit for the period	—	—	108,277	108,277	257,907	366,184
2005 final dividend	—	—	(24,030)	(24,030)	—	(24,030)
At 30 June 2006	240,691	3,251,310	3,917,844	7,409,845	619,313	8,029,158

Notes to the 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 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 (the “Group”) are property development and investment in Hong Kong, Singapore and Mainland China and trading of plant and machinery in Japan.

2 BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

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

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

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

3 FINANCIAL RISK MANAGEMENT

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 December 2006.

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 interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

Notes to the Financial Information (Continued)

5 SEGMENT INFORMATION

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, properties, debtors and prepayments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

(A) Business segments

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30 June 2007				
Turnover	1,637,319	121,235	—	1,758,554
Operating profit	509,303	2,856	63,970	576,129
Finance costs				(40,880)
Share of profits less losses of jointly controlled entities	152,005	—	—	152,005
Profit before taxation				687,254
Taxation charge				(98,933)
Profit for the period				588,321
Capital expenditure	(814)	(521)	—	(1,335)
Depreciation	(1,524)	—	—	(1,524)
Amortisation	(2,647)	—	—	(2,647)
Change in fair value of investment properties	99,365	—	—	99,365
As at 30 June 2007				
Segment assets	9,100,827	13,116	5,281,933	14,395,876
Jointly controlled entities	1,484,344	—	—	1,484,344
Total assets	10,585,171	13,116	5,281,933	15,880,220
Total liabilities	1,947,120	12,121	4,750,944	6,710,185

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30 June 2006				
Turnover	98,465	30,738	—	129,203
Operating profit	594,513	1,693	2,051	598,257
Finance costs				(48,222)
Share of profits less losses of jointly controlled entities	1,843	—	—	1,843
Profit before taxation				551,878
Taxation charge				(185,694)
Profit for the period				366,184
Capital expenditure	(2,874)	(69)	—	(2,943)
Depreciation	(1,487)	—	—	(1,487)
Amortisation	(2,204)	—	—	(2,204)
Fair value gain on other investments	—	—	4,988	4,988
Change in fair value of investment properties	537,139	—	—	537,139
As at 31 December 2006				
Segment assets	9,077,991	15,838	5,265,687	14,359,516
Jointly controlled entities	575,502	—	—	575,502
Total assets	9,653,493	15,838	5,265,687	14,935,018
Total liabilities	2,953,352	11,377	3,649,109	6,613,838

Notes to the Financial Information (Continued)

5 SEGMENT INFORMATION (Continued)

(B) Geographical segments

	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
				30 June
Six months ended 30 June 2007				2007
Hong Kong	4,887	(12,508)	366	8,810,290
Mainland China	1,625,936	550,579	441	6,832,877
Singapore	6,496	35,174	7	213,494
Japan	121,235	2,884	521	23,559
	1,758,554	576,129	1,335	15,880,220
				31 December
Six months ended 30 June 2006				2006
Hong Kong	5,821	(14,060)	688	7,798,305
Mainland China	84,127	604,735	2,186	6,933,816
Singapore	8,517	5,889	—	181,831
Japan	30,738	1,693	69	21,066
	129,203	598,257	2,943	14,935,018

6 OPERATING PROFIT

	2007 HK\$'000	2006 HK\$'000
Operating profit is stated after crediting:		
Exchange gain	37,789	17,843
Interest income	27,913	3,266
Gain on disposal of property, plant and equipment	50	—
Fair value gain on other investments	—	4,988
and after charging:		
Cost of inventories sold	115,008	25,815
Depreciation (net of amount capitalised under properties under development of HK\$727,000 (2006: HK\$701,000))	1,524	1,487
Amortisation of leasehold land (net of amount capitalised under properties under development of HK\$17,664,000 (2006: HK\$15,008,000))	2,647	2,204
Operating lease rental for land and buildings	1,800	2,160
Loss on disposal of property, plant and equipment	—	56

7 TAXATION CHARGE

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

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

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

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

8 INTERIM DIVIDEND

The Board has declared an interim cash dividend of 2.5 HK cents per share (totalling HK\$61,364,000) for the six months ended 30 June 2007 (2006: an interim scrip dividend (with cash option) of 1 HK cent per share, totalling HK\$24,187,000). This amount will be accounted for as an appropriation of revenue reserve for the year ending 31 December 2007.

9 EARNINGS PER SHARE

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

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

Notes to the Financial Information (Continued)

10 CAPITAL EXPENDITURE

For the six months ended 30 June 2007, the Group incurred HK\$1.3 million (2006: HK\$2.9 million) on property, plant and equipment. The Group has disposed of HK\$0.5 million (2006: HK\$0.6 million) of property, plant and equipment.

11 DEBTORS AND PREPAYMENTS

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

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

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

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

12 SHARE CAPITAL

	2007 Ordinary Shares of HK\$0.10 each HK\$'000		2006 Ordinary 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	2,429,947,502	242,995	2,377,921,049	237,792
Exercise of share options (a)	5,107,000	510	270,000	27
Conversion of convertible bonds (b)	—	—	28,723,399	2,872
At 30 June	2,435,054,502	243,505	2,406,914,448	240,691

- (a) The Company operates a share option scheme under which options to subscribe for shares in the Company are granted to selected executives. During the period, no new options were granted (2006: nil) and options to subscribe for 5,107,000 shares (2006: 270,000 shares) were exercised. At 30 June 2007, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2007	31 December 2006
20 May 1999 to 19 May 2008	0.5586	—	33,000
30 December 2000 to 29 December 2009	0.3600	—	150,000
1 March 2004 to 28 February 2013	0.7200	199,000	422,000
22 October 2006 to 21 October 2011	1.9060	13,125,000	18,009,000
		13,324,000	18,614,000

- (b) For the period ended 30 June 2006, convertible bonds with face value of HK\$54 million were converted into 28.7 million ordinary shares of the Company, of which HK\$2.87 million was credited to share capital and the balance to the share premium account.

13 BORROWINGS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Long term bank loans		
Secured	2,491,368	2,185,046
Unsecured	1,405,599	843,021
	3,896,967	3,028,067
Convertible bonds (a)	33,593	32,773
	3,930,560	3,060,840
Short term bank loans		
Secured	10,000	—
Unsecured	168,028	50,147
	4,108,588	3,110,987
Current portion included in current liabilities	(1,391,500)	(1,196,256)
	2,717,088	1,914,731

- (a) In March 2004, the Group issued an aggregate amount of HK\$864,260,000 0.5% guaranteed convertible bonds due in March 2009. The bonds are listed on the Luxembourg Stock Exchange and are convertible into shares of the Company on or after 23 April 2004 up to their maturity by 8 March 2009. The initial conversion price was HK\$2.25 per share, which was adjusted to HK\$1.88 per share in November 2005 due to the payment of the special interim dividend (by way of distribution in specie). The bonds are redeemable at 91.49% of their principal amount on 23 March 2009 according to relevant terms and conditions of the bonds.

14 CREDITORS AND ACCRUALS

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

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

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

Notes to the Financial Information (Continued)

15 COMMITMENTS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Contracted but not provided for Commitments in respect of property developments	954,130	903,543

16 GUARANTEES

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

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

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

DIRECTORS' INTERESTS IN SECURITIES

As of 30 June 2007, 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 Stock Exchange of Hong Kong Limited ("Stock 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 notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(A) Shares

Name of Directors	Number of Shares				Total	Approximate% of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Che-woo Lui	6,511,855	7,191,314 ⁽¹⁾	38,443,830 ⁽²⁾	1,268,160,371 ⁽³⁾	1,320,307,370	54.22
Francis Lui Yiu Tung	5,837,364	—	—	1,268,160,371 ⁽³⁾	1,273,997,735	52.32
Eddie Hui Ki On	580,000	—	—	—	580,000	0.02
Lennon Lun Tsan Kau	2,230,931	—	—	—	2,230,931	0.09
Paddy Tang Lui Wai Yu	8,340,371	—	—	1,268,160,371 ⁽³⁾	1,276,500,742	52.42
Sir David Akers-Jones	150,000	—	—	—	150,000	0.01
Michael Leung Man Kin	700,000	—	—	—	700,000	0.03
Philip Wong Kin Hang	601,226	—	—	—	601,226	0.02
Leo Lee Tung Hai	550,000	—	—	—	550,000	0.02
Robin Chan Yau Hing	932,651	—	—	—	932,651	0.04
Charles Cheung Wai Bun	907,239	—	—	—	907,239	0.04
Robert George Nield	500,000	—	—	—	500,000	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. Che-woo Lui was deemed to be interested in 7,191,314 Shares through the interests of his spouse.
- (2) 35,376,195 Shares and 3,067,635 Shares were respectively held by Best Chance Investments Ltd. and Po Kay Securities & Shares Company Limited, both of which were directly or indirectly controlled by Dr. Che-woo Lui.
- (3) 1,268,160,371 Shares representing more than one-third of the Company's issued share capital are held by the discretionary trusts established by Dr. Che-woo Lui as founder. Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trusts, were deemed to be interested in those Shares held by the trusts.

(B) Underlying Shares – Share Options

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

As of 30 June 2007, the particulars of the options held by each of the Directors, the employees of the Company and its subsidiaries (other than the Directors) in aggregate and other participants granted under the Share Option Scheme of the Company or under any other share option schemes of the Company, were as follows:

Holders	Date of grant	Number of Options			Held at 30 June 2007	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2007	Exercised during the Period	Lapsed during the Period			
Che-woo Lui	21 Oct 2005	1,350,000	—	—	1,350,000	1.9060	22 Oct 2006 – 21 Oct 2011
Francis Lui Yiu Tung	21 Oct 2005	1,340,000	—	—	1,340,000	1.9060	22 Oct 2006 – 21 Oct 2011
Eddie Hui Ki On	21 Oct 2005	580,000	—	—	580,000	1.9060	22 Oct 2006 – 21 Oct 2011
Lennon Lun Tsan Kau	21 Oct 2005	670,000	—	—	670,000	1.9060	22 Oct 2006 – 21 Oct 2011
Paddy Tang Lui Wai Yu	21 Oct 2005	930,000	—	—	930,000	1.9060	22 Oct 2006 – 21 Oct 2011
Sir David Akers-Jones	28 Feb 2003	150,000	—	—	150,000	0.7200	1 Mar 2004 – 28 Feb 2013

Other Information

Holders	Date of grant	Number of Options			Held at 30 June 2007	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2007	Exercised during the Period	Lapsed during the Period			
Michael Leung Man Kin	21 Oct 2005	400,000	400,000 ^(a)	–	–	1.9060	22 Oct 2006 – 21 Oct 2011
Philip Wong Kin Hang	21 Oct 2005	300,000	–	–	300,000	1.9060	22 Oct 2006 – 21 Oct 2011
Leo Lee Tung Hai	–	–	–	–	–	–	–
Robin Chan Yau Hing	21 Oct 2005	500,000	–	–	500,000	1.9060	22 Oct 2006 – 21 Oct 2011
Charles Cheung Wai Bun	21 Oct 2005	600,000	–	–	600,000	1.9060	22 Oct 2006 – 21 Oct 2011
Robert George Nield	21 Oct 2005	500,000	–	–	500,000	1.9060	22 Oct 2006 – 21 Oct 2011
Employees (in aggregate)	20 May 1998	33,000	–	33,000	–	0.5586	20 May 1999 – 19 May 2008
	30 Dec 1999	150,000	–	150,000	–	0.3600	30 Dec 2000 – 29 Dec 2009
	28 Feb 2003	272,000	223,000 ^(b)	–	49,000	0.7200	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	10,839,000 [#]	4,484,000 ^(c)	–	6,355,000	1.9060	22 Oct 2006 – 21 Oct 2011

On reclassification of a total number of 530,000 share options under "Directors" to "Employees" after the option holder ceased to be a director of the Company and became an employee of an affiliate of the Company.

Notes:

- (a) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the Period was HK\$2.560.
- (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Period was HK\$2.807.
- (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Period was HK\$2.758.

Except for the options granted on 29 December 2003 which were fully vested at the date of grant, the other options referred to above were subject to a one-year vesting period.

No options were granted or cancelled during the Period.

All the interests stated above represent long positions.

Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were deemed to be interested in the issued share capital of every other subsidiary and jointly controlled entity of the Company.

Save as disclosed above, as of 30 June 2007, 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 2007, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate% of Issued Share Capital
HSBC International Trustee Limited	1,268,160,371 ⁽¹⁾	52.08
Penta Investment Advisers Limited	369,926,218 ⁽²⁾	15.19
John Zwaanstra	369,926,218 ⁽²⁾	15.19
Marapro Co., Ltd.	191,857,634 ⁽³⁾	7.88
Symmetry Co., Ltd.	191,857,634 ⁽³⁾	7.88
Polymate Co., Ltd.	191,857,634 ⁽⁴⁾	7.88
Todd Zwaanstra	166,545,218 ⁽⁵⁾	6.84
Mercurius GP LLC	166,545,218 ⁽⁵⁾	6.84
Penta Japan Fund, Ltd.	166,545,218 ⁽⁶⁾	6.84

Notes:

- (1) HSBC International Trustee Limited is the trustee of discretionary trusts which held 1,268,160,371 Shares.
- (2) Penta Investment Advisers Limited, a company which is wholly-owned by Mr. John Zwaanstra, was interested in 369,926,218 Shares in the capacity of investment manager.

- (3) Marapro Co., Ltd. is a beneficiary and Symmetry Co., Ltd. is the trustee of a trust which was interested in 191,857,634 Shares.
- (4) Polymate Co., Ltd. is the ultimate holding company of those companies which was interested in 191,857,634 Shares.
- (5) Mr. Todd Zwaanstra is the trustee and Mercurius GP LLC, a company which is controlled by Mr. John Zwaanstra, is the founder of a trust which was interested in 166,545,218 Shares.
- (6) Penta Japan Fund, Ltd., a company which is controlled by Mr. Todd Zwaanstra, was interested in 166,545,218 Shares.

There is duplication of interest of:

- (i) 1,268,160,371 Shares among Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. These Shares are also interested by HSBC International Trustee Limited and of these Shares, 191,857,634 Shares are also interested by Marapro Co., Ltd., Symmetry Co., Ltd. and Polymate Co., Ltd.; and
- (ii) 369,926,218 Shares among Penta Investment Advisers Limited and Mr. John Zwaanstra and of these Shares, 166,545,218 Shares are also interested by Mr. Todd Zwaanstra, through his control of more than one-third of the voting power of Mercurius GP LLC and Penta Japan Fund, Ltd.

Save as disclosed above, as of 30 June 2007, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares or convertible bonds during the Period.

RULE 13.22 OF THE LISTING RULES

As of 30 June 2007, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies. In compliance with the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows :

	Combined balance sheet	Group's attributable interest
	HK\$'000	HK\$'000
Non-current assets	4,720,526	1,136,520
Current assets	2,252,615	905,769
Current liabilities	(1,388,033)	(557,945)
	5,585,108	1,484,344
Share capital	676,053	280,562
Reserves	1,139,395	462,334
Amounts due to shareholders	3,769,660	741,448
	5,585,108	1,484,344

Other Information

AUDIT COMMITTEE

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

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 ("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

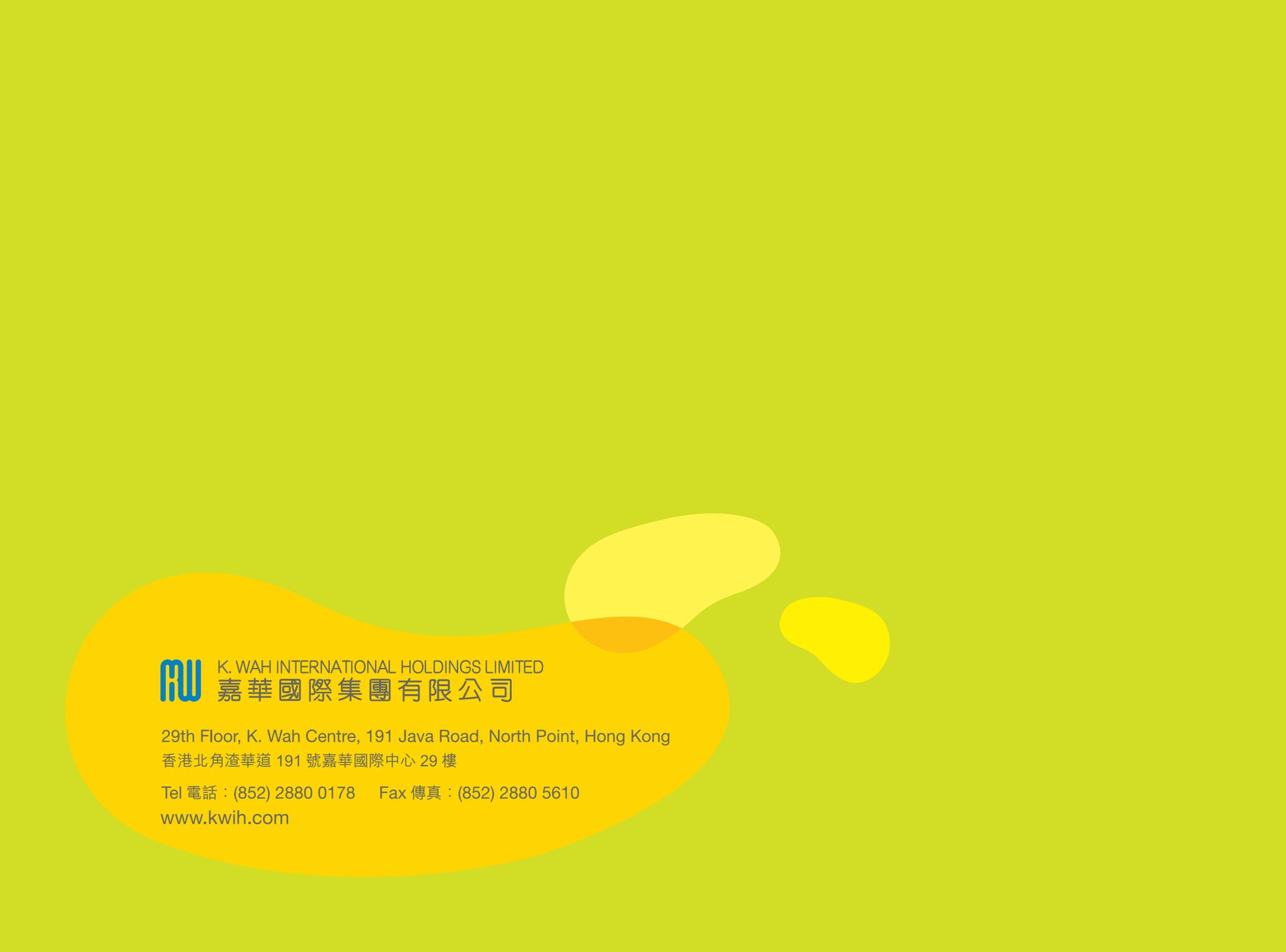
During the Period, save for Code Provision A.4.2, the Company has complied with all the provisions in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules on the Stock Exchange. The Board believes that the underlying rationale for such a deviation, as mentioned under the section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

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 8 October 2007 to 12 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, shareholders must ensure that all duly completed transfers together with the relevant share certificates are lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 5 October 2007.

By Order of the Board
Ricky Chan Ming Tak
Company Secretary

Hong Kong, 13 September 2007



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