



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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

ANNUAL RESULTS HIGHLIGHTS

The Board of Directors (“*Board*”) of K. Wah International Holdings Limited (“*Company*”) is pleased to announce the audited consolidated results for the year ended 31 December 2006 of the Company and its subsidiaries (together the “*Group*”) as follows:

- Turnover was HK\$276 million (2005: HK\$289 million)
- Operating profit was HK\$1,071 million (2005: HK\$382 million)
- Profit from operations was HK\$702 million (2005: HK\$250 million)
- Profit attributable to shareholders was HK\$230 million (2005: HK\$95 million (excluding discontinued operations)).
- Earnings per share from operations was 9.54 HK cents (2005: 4.1 HK cents)

FINAL DIVIDEND

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting to be held on 20 June 2007 a final scrip dividend (with a cash option) for the year ended 31 December 2006 of 2.5 HK cents per share, totaling HK\$60,843,000, payable on 20 July 2007 to the shareholders whose names appear on the registers of members of the Company at the close of business on 20 June 2007 (2005: a final dividend of 1 HK cent per share totaling HK\$24,030,000). Together with an interim dividend of 1 HK cent per share (2005: interim dividend (cash plus special dividend in specie) of approximately 53 HK cents per share), the total dividends per share for the year ended 31 December 2006 is 3.5 HK cents (2005 total: 54 HK cents per share).

Payment of the scrip dividend is conditional upon the passing of an ordinary resolution at the forthcoming Annual General Meeting and 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 dividend warrants will be posted on 20 July 2007 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For The Year Ended 31 December 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	4	275,956	289,307
Cost of sales		(159,761)	(158,146)
Gross profit		116,195	131,161
Other revenues	4	15,429	5,298
Other operating income		119,292	54,246
Administrative expenses		(131,047)	(91,902)
Other operating expenses		(6,448)	(65,241)
Change in fair value of investment properties		957,958	348,679
Operating profit	5	1,071,379	382,241
Finance costs	6	(71,891)	(36,689)
Share of profits of jointly controlled entities		9,275	47,697
Profit before taxation		1,008,763	393,249
Taxation charge	7	(307,019)	(142,869)
Profit from continuing operations		701,744	250,380
Profit from discontinued operations	3	-	3,553,418
Profit for the year		701,744	3,803,798
Attributable to:			
Shareholders of the Company		229,703	3,644,048
Minority interests		472,041	159,750
		701,744	3,803,798
Dividends			
Interim paid		24,187	23,771
Proposed final		60,843	24,030
		85,030	47,801
Special interim in specie		-	1,229,143
	9	85,030	1,276,944
		HK cents	HK cents
Earnings per share from continuing operations			
Basic	8	9.54	4.10
Diluted		9.47	4.06
Earnings per share from discontinued operations			
Basic	8	N/A	153.58
Diluted		N/A	152.32
Dividend per share			
Interim	9	1.0	1.0
Proposed final		2.5	1.0
Special in specie		-	51.7

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		54,297	53,974
Investment properties		3,367,669	2,016,387
Leasehold land and land use rights		69,780	70,502
Jointly controlled entities		575,502	577,261
Non-current investments		4,477,084	2,690,556
Other non-current assets		9,592	8,277
		<u>8,553,924</u>	<u>5,416,957</u>
Current assets			
Development properties		5,309,940	4,134,038
Debtors and prepayments	10	283,504	134,545
Tax recoverable		46,590	3,368
Other investments		-	39,126
Cash and bank balances		741,060	255,206
		<u>6,381,094</u>	<u>4,566,283</u>
Total assets		<u>14,935,018</u>	<u>9,983,240</u>
EQUITY			
Share capital		242,995	237,792
Reserves		7,221,368	5,078,878
Shareholders' funds		7,464,363	5,316,670
Minority interests		856,817	355,968
Total equity		<u>8,321,180</u>	<u>5,672,638</u>
LIABILITIES			
Non-current liabilities			
Borrowings		1,914,731	1,567,857
Deferred taxation liabilities		524,085	210,264
		<u>2,438,816</u>	<u>1,778,121</u>
Current liabilities			
Creditors and accruals	11	2,967,505	719,237
Current portion of borrowings		1,196,256	1,807,880
Tax payable		11,261	5,364
		<u>4,175,022</u>	<u>2,532,481</u>
Total liabilities		<u>6,613,838</u>	<u>4,310,602</u>
Total equity and liabilities		<u>14,935,018</u>	<u>9,983,240</u>

NOTES

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention as modified by the revaluation of investment properties, non-current and other investments, which are carried at fair values.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2005.

2. Application of Hong Kong Financial Reporting Standards

In 2006, the Group has applied the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

3. Segment information

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In Japan, the Group carries on trading of plant and machinery. The Group ceased to carry on manufacture, sale and distribution of construction materials following the deemed disposal of Galaxy Entertainment Group Limited (“GEG”) in 2005. There are no other significant identifiable separate businesses. 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 and mainly exclude other investments, cash and bank balances and tax recoverable. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

3. Segment information (Cont'd)

(A) BUSINESS SEGMENTS

	Properties	Trading	Unallocated	Total
	HK\$000	HK\$000	HK\$000	HK\$000
Year ended 31 December 2006				
Turnover	203,075	72,881	-	275,956
Other revenues	-	-	15,429	15,429
	<hr/>			
Operating profit	998,981	893	71,505	1,071,379
	<hr/>			
Finance costs				(71,891)
Share of profits of jointly controlled entities				9,275
				<hr/>
Profit before taxation				1,008,763
Taxation charge				(307,019)
				<hr/>
Profit for the year				701,744
				<hr/>
Change in fair value of investment properties	957,958	-	-	957,958
Gain on disposal of other investments	-	-	4,879	4,879
Capital expenditure	(4,269)	(67)	-	(4,336)
Depreciation	(3,061)	(104)	-	(3,165)
Amortisation	(5,877)	-	-	(5,877)
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3. Segment information (Cont'd)

	Properties <i>HK\$000</i>	Trading <i>HK\$000</i>	Unallocated <i>HK\$000</i>	Total continuing operations <i>HK\$000</i>	Discontinued operations <i>HK\$000</i>
Year ended 31 December 2005					
Turnover	226,330	62,977	-	289,307	546,158
Other revenues	-	-	5,298	5,298	20,142
Operating profit	<u>360,589</u>	<u>544</u>	<u>21,108</u>	382,241	9,298
Finance costs				(36,689)	(5,998)
Share of profits less losses of Jointly controlled entities				47,697	7,945
Associated companies				-	1,492
Profit before taxation				393,249	12,737
Taxation charge				(142,869)	(280)
Profit after taxation				250,380	12,457
Gain on deemed partial disposal				-	3,611,466
Share of losses				-	(70,505)
Profit for the year				<u>250,380</u>	<u>3,553,418</u>
Change in fair value of investment properties	348,679	-	-	348,679	-
Change in fair value of other investments	-	-	(1,204)	(1,204)	81
Capital expenditure	(5,607)	(123)	-	(5,730)	(24,465)
Depreciation	(2,242)	(83)	-	(2,325)	(36,440)
Amortisation	(5,812)	-	-	(5,812)	(19,307)

(B) GEOGRAPHICAL SEGMENTS

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>
Year ended 31 December 2006		
Hong Kong	10,780	(34,097)
Mainland China	177,785	1,091,324
Singapore	14,510	13,234
Japan	72,881	918
	<u>275,956</u>	<u>1,071,379</u>

3. Segment information (Cont'd)

	Continuing operations		Discontinued operations	
	Turnover	Operating profit/(loss)	Turnover	Operating profit
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2005				
Hong Kong	129,115	(7,162)	242,417	5,900
Mainland China	88,275	386,834	303,741	3,398
Singapore	8,940	2,017	-	-
Japan	62,977	552	-	-
	<u>289,307</u>	<u>382,241</u>	<u>546,158</u>	<u>9,298</u>

4. Turnover and other revenues

	2006 HK\$'000	2005 <i>HK\$'000</i>
Turnover		
Sale of properties	6,263	126,285
Rental income	196,812	100,045
Sale of goods	72,881	62,977
	<u>275,956</u>	<u>289,307</u>
Other revenues		
Interest income from banks	13,547	2,410
Interest income from mortgage loans	1,166	1,296
Dividend income from listed investments	716	1,592
	<u>15,429</u>	<u>5,298</u>
Total revenues	<u>291,385</u>	<u>294,605</u>

5. Operating profit

	2006 HK\$'000	2005 <i>HK\$'000</i>
Operating profit is stated after crediting:		
Gain on disposal of other investments	4,879	-
Excess of fair value of net assets acquired over cost of acquisition of a jointly controlled entity	-	19,991
Net foreign exchange gain	56,788	31,914
and after charging :		
Cost of inventories sold	64,345	55,360
Depreciation (net of capitalisation)	3,165	2,325
Amortisation for leasehold land and land use rights (net of capitalisation)	5,877	5,812
Change in fair value of other investments	-	1,204

6. Finance costs

	2006	2005
	HK\$'000	<i>HK\$'000</i>
Interest expenses		
Bank loans, overdrafts and others	181,485	95,493
Finance cost of convertible bonds	2,414	10,759
Capitalised as cost of properties under development	(112,008)	(69,563)
	71,891	36,689

7. Taxation charge

	2006	2005
	HK\$'000	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	2,933	2,867
Overseas taxation	1,473	227
Deferred taxation	302,613	139,775
	307,019	142,869

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year 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 of jointly controlled entities for the year ended 31 December 2006 amounting to HK\$2,802,000 (2005: HK\$17,185,000) was included in the profit and loss statement as share of profits of jointly controlled entities.

8. Earnings per share

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

	Continuing operations		Discontinued operations	
	2006	2005	2006	2005
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Profit attributable to shareholders	229,703	94,638	-	3,549,410
Effect of dilutive potential ordinary shares				
Interest on convertible bonds, net of tax (a)	1,992	-	-	-
Profit for calculation of diluted earnings per share	231,695	94,638	-	3,549,410

8. Earnings per share (Cont'd)

	Number of shares	
	2006	2005
Weighted average number of shares for calculating basic earnings per share	2,407,931,000	2,311,056,000
Effect of dilutive potential ordinary shares		
Convertible bonds	30,629,000	-
Share options	7,613,000	19,123,000
	<hr/>	<hr/>
Weighted average number of shares for calculating diluted earnings per share	2,446,173,000	2,330,179,000
	<hr/> <hr/>	<hr/> <hr/>

(a) The calculation of the diluted earnings per share for 2005 did not take into account of the convertible bonds which were anti-dilutive for that year.

9. Dividends

	2006	2005
	HK\$'000	HK\$'000
Interim scrip dividend with a cash option of 1 HK cent (2005: cash dividend of 1 HK cent) per share	24,187	23,771
Proposed final scrip dividend with a cash option of 2.5 HK cents (2005: 1 HK cent) per share	60,843	24,030
	<hr/>	<hr/>
	85,030	47,801
Special interim dividend in specie in 2005	<hr/> -	<hr/> 1,229,143
	<hr/> 85,030	<hr/> 1,276,944
	<hr/> <hr/>	<hr/> <hr/>
The dividends have been partially settled by cash as follows:		
Interim	8,074	23,771
Final	<hr/> -	<hr/> 8,756
	<hr/> 8,074	<hr/> 32,527
	<hr/> <hr/>	<hr/> <hr/>

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2006 of 2.5 HK cents (2005: 1 HK cent) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2007.

10. Debtors and prepayments

	2006 HK\$'000	2005 HK\$'000
Trade debtors, net of provision	12,713	23,756
Other debtors, net of provision	70,447	77,646
Prepayments and deposits	200,344	33,143
	<u>283,504</u>	<u>134,545</u>

Trade debtors mainly comprise receivables for sales of goods and rental. Rental from tenants is payable in advance. Sales terms of goods vary and are determined with reference to the prevailing marketing 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:

	2006 HK\$'000	2005 HK\$'000
Within one month	5,923	14,566
Two to three months	2,492	3,137
Four to six months	2	987
Over six months	4,296	5,066
	<u>12,713</u>	<u>23,756</u>

11. Creditors and accruals

	2006 HK\$'000	2005 HK\$'000
Trade creditors	160,331	210,515
Other creditors	18,993	29,944
Amounts due to jointly controlled entities	76,507	69,007
Amounts due to minority shareholders	107,026	208,341
Accrued operating expenses	17,586	24,833
Deposits received	2,587,062	176,597
	<u>2,967,505</u>	<u>719,237</u>

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

	2006 HK\$'000	2005 HK\$'000
Within one month	157,736	209,998
Two to three months	2,376	517
Four to six months	77	-
Over six months	142	-
	<u>160,331</u>	<u>210,515</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Turnover and profit attributable to shareholders for the year ended 31 December 2006 were HK\$ 276 million and HK\$230 million respectively, compared to HK\$289 million and HK\$95 million (excluding discontinued operations of HK\$3,549 million) for the last year.

Properties sale during the year continued to improve as a result of the satisfactory pre-sale of residential units in various property projects in Shanghai and Hong Kong. Under the current accounting policies, the revenue and profit will be recorded after the development of the projects is completed.

Mainland China

Sales remained strong for the Group's luxury residential development in Shanghai, amidst property market cooling measures from the Central Government in the year. As of the year-end, the Group has pre-sold nearly 90 % of Phase I of the Shanghai Westwood. On investment side of the operations, demand for Grade-A office has remained strong, and the Group's Shanghai K. Wah Centre has continued to register 100 % occupancy.

(A) Current Major Development Properties (total gross floor area ("GFA") of approximately 2,000,000 square metres)

(i) Shanghai Westwood, No. 701 Guangzhong Road, Da Ning International Community, Shanghai (100% owned)

Modeled on the Los Angeles Westwood in the United States, the Group's Shanghai Westwood development project is a luxurious condominium with full amenities. Total GFA of this project is approximately 380,000 square metres. The Group has pre-sold Phase I (GFA of which is about 140,000 square metres) with handover scheduled for the middle of this year. The Group is starting the development of Phase II (GFA of approximately 140,000 square metres) this year and Phase III (GFA of approximately 100,000 square metres) by 2009.

(ii) Lot A&B No.68 Jianguo Xi Road, Xuhui District, Shanghai (100% owned)

The project is located in Shanghai's traditional up-scale residential area where land supply is always short. Total GFA of this development is approximately 140,000 square metres, which the Group plans to develop into an integrated development with luxury residential apartments, high-class commercial facilities and a suite hotel. Construction work is in progress and completion of the first phase of this development is expected to be around 2009.

(iii) Phase III, Yanjiazhai, Jingan District, Shanghai (99% owned)

Total GFA of this luxurious residential project is approximately 100,000 square metres. It is located at Urumqi Road, Jingan District close to the vibrant central business district of Nanjing West Road. Demolition work is in progress. We have commenced construction work on the first phase of this development.

(iv) Xinhua Zhen, Hua Dou City, Guangzhou (99.99% owned)

The Group will develop its land bank at Xinhua Zhen, Hua Dou City (total permissible buildable floor area in contemplation of approximately 1,470,000 square metres) in stages. The Group has already started phased development on one of these plots (GFA in contemplation of approximately 47,000 square metres) comprising an integrated high-class hotel and office development. The rest of the land bank of the Group in Guangzhou has been planned mostly for residential development.

(B) Investment Property

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (35.75% effective interest)

This flagship investment property (totaling approximately 72,000 square metres together with the two ancillary buildings) is located at Huaihai Zhong Road which is a thriving downtown commercial area in the inner ring area of Shanghai. During the year under review, we have maintained full occupancy at this Grade-A office commanding top-end rentals from reputable corporate tenants.

Hong Kong

The Group's The Great Hill and J Residence have both been well received by the market. In the office sector, the leasing market also performed well in 2006. The Group achieved satisfactory occupancy and rental rates with its investment properties.

(A) Current development properties

(i) The Great Hill, Tung Lo Wan Hill Road (100% owned)

GFA is approximately 30,000 square metres and construction work is on schedule with expected completion around the second half of 2007. The Group is timing to roll out sales of the remaining units this year.

(ii) J Residence, Johnston Road, Wan Chai (a joint development with the URA)

The Group has pre-sold almost all the residential units of this downtown project which is a joint development with the Urban Renewal Authority. Upon completion of the project around the third quarter of 2007, it is expected that the commercial portion – the J Senses – will contribute good rental income to the Group.

(iii) No.6 Shiu Fai Terrace, Hong Kong (100% owned)

The Group is turning this site into another signature luxury residential development (planned GFA : 6,500 square metres).

(B) Other properties in Hong Kong (all 100% owned)

(i) *Skyline Commercial Centre, Wing Lok Street, Sheung Wan*

This 24-storey centrally located office building has approximately 3,900 square metres of office space and ground floor shops. It has been enjoying near full occupancy and contributing steady rental income to the Group.

(ii) *Kingsfield Centre, Shell Street, North Point*

This 26-storey commercial building (approximately 1,900 square metres of office space) has been enjoying high occupancy to contribute steady rental income to the Group.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

This 12-storey office building (approximately 5,800 square metres with carparks) has maintained satisfactory occupancy with stable income.

Investment in Galaxy Entertainment Group Limited

The value of this strategic investment has increased from HK\$4.375 (at 31 December 2005) to HK\$7.28 per share at the close of the year under review enabling the Group to record a change in fair value of approximately HK\$1.8 billion as an increase in reserves.

OUTLOOK

The Group is optimistic about its business prospect in Mainland China, on the back of the quality investments which it has already made and the strong brand recognition it enjoys there. The Group's equity joint venture in Shanghai Baoland Co., Ltd. (41.5% owned) has been performing and contribution to the Group's profit is expected. For Hong Kong, since the year-end, the Group has unified title to and is commencing development at its Shiu Fai Terrace property. The Group is also participating together with others in the joint development of a piece of residential land at Tai Po, Pak Shek Kok (Site C). The Group expects completion of its Shanghai Westwood (Phase I), and its Hong Kong projects at The Great Hill and J Residence in 2007 upon which turnover and profit will be recognized. The Group has been actively examining investment opportunities in both Mainland China and Hong Kong to strengthen land bank and increase returns on assets.

REVIEW OF FINANCE

(1) *Financial Position*

The financial position of the Group remained strong during the year. Total funds employed increased by 26% to HK\$11 billion at 31 December 2006 from HK\$9 billion at 31 December 2005.

The number of the issued shares of the Company increased as a result of conversion of convertible bonds and the exercise of share options during the year. The dilution effect, however, was offset by the profit earned for the year.

(2) *Group Liquidity, Financial Resources and Gearing Ratio*

The liquidity position of the Group was satisfactory during the year. As of 31 December 2006, total bank borrowings amounted to HK\$3,078 million, and cash and bank balances were HK\$741 million to give a net debt of HK\$2,337 million. This represented a HK\$604 million net debt reduction compared to 31 December 2005, mainly attributable to the presale proceeds received during the year.

Of the total long-term bank borrowings, more than 60% had maturities over a period of one year and above.

The Group successfully arranged a 3/5 years syndicated loan of HK\$1,800 million on 6 September 2006 from a consortium of 14 international and leading local banks.

In addition to the aggregate cash balances, the total un-drawn banking facilities of the Group at 31 December 2006 amounted to over HK\$2.8 billion. The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was reduced to a satisfactory level of 17% at 31 December 2006 as compared to 31% for last year.

The Group's liquidity position and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its commitments and operational requirements.

(3) *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 Dollars. 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. The Group has not engaged in the use of derivative products.

(4) *Charges on Group Assets*

As of 31 December 2006, investment properties and land and buildings with carrying values of HK\$3,229,669,000 (2005: HK\$2,016,387,000) and HK\$110,313,000 (2005: HK\$111,586,000) respectively were pledged to banks to secure the Group's borrowing facilities.

(5) *Contingent Liabilities*

As of 31 December 2006, the Company has executed guarantees in favor of banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to HK\$4,556,608,000 (2005: HK\$3,571,683,000) of which HK\$2,030,336,000 (2005:

HK\$2,078,682,000) have been utilized. The Company has also executed guarantees in respect of the convertible bonds issued by a subsidiary the outstanding amount of which as at the end of 2006 is HK\$40,000,000 (2005: HK\$104,000,000).

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

CORPORATE GOVERNANCE

Throughout the year under review, 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 of the Rules Governing the Listing of Securities on the Exchange ("*Listing Rules*"). 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 2005 Annual Report and as alluded to in the section headed "Corporate Governance" in its 2006 Interim Report, still holds. The Board will continue to review and recommend such steps and action as appropriate in the circumstances of such deviation. The Board has proposed to amend the existing Bye-laws of the Company in order to bring it in line with the requirements of Appendix 3 of the Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors 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 year all its Directors have complied with the required standards as set out in the Model Code.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises one executive Director (as chairman) and two Independent Non-executive Directors of the Company, has met on 20 March 2007 and reviewed the relevant remuneration data, market conditions and also the individual performance in relation to the executive Directors under review and profitability of the Group.

AUDIT COMMITTEE

The Audit Committee of the Company has met on 20 March 2007 and reviewed the Company's 2006 annual results. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2006 have been agreed by the Company's auditors — PricewaterhouseCoopers — to the amounts set out in the Group's audited financial statements for the year ended 31 December 2006.

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 year ended 31 December 2006.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 13 June 2007 to 20 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders must ensure that all 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 12 June 2007.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the respective websites of the Company and the Exchange. PricewaterhouseCoopers have audited the Group's annual financial statements and their report will be included in the Company's 2006 Annual Report to the shareholders which will also be published on the respective websites of the Company and the Exchange.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Che-woo Lui (Chairman), Mr. Francis Lui Yiu Tung, Mr. Eddie Hui Ki On, Mr. Lennon Lun Tsan Kau and Ms. Paddy Tang Lui Wai Yu; the Non-executive Directors are Mr. Michael Leung Man Kin and Dr. Philip Wong Kin Hang; and the Independent Non-executive Directors are Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun, and Mr. Robert George Nield.

By Order of the Board
Chan Ming Tak Ricky
Company Secretary

Hong Kong, 29 March 2007

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Please also refer to the published version of this announcement in the South China Morning Post (Classified Post).