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**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 2008**

**ANNUAL RESULTS HIGHLIGHTS**

The Board of Directors ( "**Board**" ) of K. Wah International Holdings Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2008 as follows:

- Revenue was HK\$1,153 million (2007: HK\$4,800 million)
- Loss for the year was HK\$572 million (2007: profit of HK\$2,630 million)
- Loss attributable to shareholders was HK\$617 million (2007: profit of HK\$2,451 million)
- Loss per share was 25.03 HK cents (2007: earnings per share of 100.27 HK cents)

**FINAL DIVIDEND**

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 3 June 2009 ("**2009 AGM**") a final cash dividend for the year ended 31 December 2008 of 1 HK cent per share, totaling HK\$24,704,000, payable on 17 July 2009 to the shareholders whose names appear on the registers of members of the Company at the close of business on 3 June 2009 (2007: a final cash dividend of 3 HK cents per share totaling HK\$73,771,000). Together with the interim cash dividend of 1 HK cent per share (2007: interim cash dividend of 2.5 HK cents per share and special interim cash dividend of 25 HK cents per share), total dividends per share for the year ended 31 December 2008 is 2 HK cents (2007 total: 30.5 HK cents).

## CONSOLIDATED PROFIT AND LOSS STATEMENT

For The Year Ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	4	1,152,989	4,799,504
Cost of sales		(553,118)	(3,622,726)
Gross profit		<u>599,871</u>	<u>1,176,778</u>
Other operating income		39,252	54,093
Other net gains		11,957	134,093
Other operating expenses		(31,184)	(136,226)
Administrative expenses		(221,688)	(148,411)
Change in fair value of investment properties		(62,298)	351,871
(Impairment loss)/gain on disposal of non-current investments		(667,053)	1,373,782
Finance cost	6	(130,694)	(110,751)
Share of profits of jointly controlled entities		54,902	155,478
Share of losses of associated companies		(63)	(6)
(Loss)/profit before taxation	5	<u>(406,998)</u>	<u>2,850,701</u>
Taxation charge	7	<u>(164,869)</u>	<u>(220,621)</u>
<b>(Loss)/profit for the year</b>		<b><u>(571,867)</u></b>	<b><u>2,630,080</u></b>
Attributable to:			
Shareholders		(617,247)	2,451,142
Minority interests		45,380	178,938
		<b><u>(571,867)</u></b>	<b><u>2,630,080</u></b>
Dividends			
Interim paid		24,704	61,368
Special interim paid		-	614,673
Proposed final		24,704	73,771
	8	<b><u>49,408</u></b>	<b><u>749,812</u></b>
		<b>HK cents</b>	<b>HK cents</b>
(Loss)/earnings per share	9		
Basic		(25.03)	100.27
Diluted		<u>(24.81)</u>	<u>99.12</u>
Dividend per share		<b>HK cents</b>	<b>HK cents</b>
Interim		1.0	2.5
Special interim		-	25.0
Proposed final		<u>1.0</u>	<u>3.0</u>

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2008**

	Note	2008 HK\$'000	2007 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		57,831	52,732
Investment properties		3,746,543	3,679,112
Leasehold land and land use rights		66,739	67,390
Jointly controlled entities		2,282,665	700,920
Associated companies		714,198	(4)
Non-current investments		172,233	1,191,008
Other non-current assets		4,858	7,099
		<u>7,045,067</u>	<u>5,698,257</u>
<b>Current assets</b>			
Development properties		5,682,099	4,800,680
Amounts due from jointly controlled entities		-	2,454,691
Amounts due from associated companies		-	652,790
Debtors and prepayments	10	939,375	328,228
Tax recoverable		5,756	2,762
Cash and bank balances		1,291,179	2,444,742
		<u>7,918,409</u>	<u>10,683,893</u>
<b>Total assets</b>		<u><b>14,963,476</b></u>	<u><b>16,382,150</b></u>
<b>EQUITY</b>			
Share capital		247,038	245,869
Reserves		7,458,661	8,256,702
Shareholders' funds		<u>7,705,699</u>	<u>8,502,571</u>
Minority interests		1,198,556	1,056,774
<b>Total equity</b>		<u><b>8,904,255</b></u>	<u><b>9,559,345</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,325,615	3,297,252
Deferred taxation liabilities		608,888	527,379
		<u>2,934,503</u>	<u>3,824,631</u>
<b>Current liabilities</b>			
Amounts due to jointly controlled entities		56,313	56,286
Creditors and accruals	11	562,862	883,928
Current portion of borrowings		2,418,072	1,282,246
Tax payable		87,471	161,041
Dividend payable		-	614,673
		<u>3,124,718</u>	<u>2,998,174</u>
<b>Total liabilities</b>		<u><b>6,059,221</b></u>	<u><b>6,822,805</b></u>
<b>Total equity and liabilities</b>		<u><b>14,963,476</b></u>	<u><b>16,382,150</b></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 and non-current 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 2007.

### **2. Adoption of Hong Kong Financial Reporting Standards**

In 2008, the Group has adopted the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods of the Group beginning on or after 1 January 2008. However, the adoption of these new standards, amendments and interpretations 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. 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.

### 3. Segment information (Cont'd)

#### (A) BUSINESS SEGMENTS

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Year ended 31 December 2008</b>				
Revenue	<b>1,005,519</b>	<b>147,470</b>	-	<b>1,152,989</b>
Segment results	<b>242,507</b>	<b>4,071</b>	<b>(577,721)</b>	<b>(331,143)</b>
Finance costs				<b>(130,694)</b>
Share of profits of jointly controlled entities	<b>54,902</b>	-	-	<b>54,902</b>
Share of losses of associated companies	<b>(63)</b>	-	-	<b>(63)</b>
Loss before taxation				<b>(406,998)</b>
Taxation charge				<b>(164,869)</b>
Loss for the year				<b>(571,867)</b>
Capital expenditure	<b>(9,215)</b>	<b>(217)</b>	-	<b>(9,432)</b>
Depreciation	<b>(3,610)</b>	<b>(265)</b>	-	<b>(3,875)</b>
Amortisation	<b>(17,471)</b>	-	-	<b>(17,471)</b>
Impairment loss of non-current investments	-	-	<b>(667,053)</b>	<b>(667,053)</b>
Change in fair value of investment properties	<b>(62,298)</b>	-	-	<b>(62,298)</b>
<b>Year ended 31 December 2007</b>				
Revenue	4,595,884	203,620	-	4,799,504
Segment results	1,287,336	4,054	1,514,590	2,805,980
Finance costs				(110,751)
Share of profits of jointly controlled entities	155,478	-	-	155,478
Share of losses of associated companies	(6)	-	-	(6)
Profit before taxation				2,850,701
Taxation charge				(220,621)
Profit for the year				2,630,080
Capital expenditure	(3,956)	(570)	-	(4,526)
Depreciation	(3,169)	(233)	-	(3,402)
Amortisation	(9,989)	-	-	(9,989)
Gain on disposal of non-current investments	-	-	1,373,782	1,373,782
Change in fair value of investment properties	351,871	-	-	351,871

### 3. Segment information (Cont'd)

#### (B) GEOGRAPHICAL SEGMENTS

	<b>Revenue</b>	<b>Segment</b>
	<b>HK\$'000</b>	<b>Results</b>
		<b>HK\$'000</b>
<b>Year ended 31 December 2008</b>		
Hong Kong	<b>688,652</b>	<b>(497,599)</b>
Mainland China	<b>276,167</b>	<b>126,286</b>
Singapore	<b>40,700</b>	<b>36,180</b>
Japan	<b>147,470</b>	<b>3,990</b>
	<b>1,152,989</b>	<b>(331,143)</b>
<b>Year ended 31 December 2007</b>		
Hong Kong	2,712,077	2,119,588
Mainland China	1,869,707	622,541
Singapore	14,100	59,717
Japan	203,620	4,134
	<b>4,799,504</b>	<b>2,805,980</b>

### 4. Revenue

	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of properties	<b>743,674</b>	4,383,262
Rental income	<b>261,845</b>	212,622
Sale of goods	<b>147,470</b>	203,620
	<b>1,152,989</b>	<b>4,799,504</b>

## 5. (Loss)/profit before taxation

	2008	2007
	HK\$'000	HK\$'000
<b>(Loss)/profit before taxation is stated after crediting:</b>		
Interest income from banks	18,342	24,913
Interest income from mortgage loans	1,011	863
Interest income from other loan	-	20,323
Excess of fair value of net assets acquired over cost of additional interest in a subsidiary	-	41,208
Gain on disposal of a subsidiary	3,985	-
Net exchange gains	72,050	94,552

### and after charging :

Cost of properties sold	319,724	3,183,204
Cost of inventories sold	132,206	189,869
Impairment loss on land deposit	63,897	-
Depreciation (net of capitalisation)	3,875	3,402
Amortisation for leasehold land and land use rights (net of capitalisation)	17,471	9,989

## 6. Finance costs

	2008	2007
	HK\$'000	HK\$'000
Interest expenses		
Bank loans, overdrafts and others	186,461	230,365
Finance cost of convertible bonds	1,489	1,863
Capitalised as cost of properties under development	(57,256)	(121,477)
	130,694	110,751

## 7. Taxation charge

	2008	2007
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	42,073	53,034
Overseas	62,364	197,407
Deferred	60,432	(29,820)
	164,869	220,621

## 7. Taxation charge (Cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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. For the year of assessment 2008/09 effected from 1 April 2008, the Hong Kong profits tax rate was changed from 17.5% to 16.5%.

The Corporate Income Tax Law of Mainland China (the “*new CIT Law*”) has become effective since 1 January 2008. Under the new CIT Law, for Group’s subsidiaries in Mainland China originally entitling a tax rate of 33%, the tax rate will decrease to 25% effective on 1 January 2008.

Dividends to be paid out from earnings of Mainland China incorporated enterprises arising on or after 1 January 2008 in Mainland China to overseas investors are subject to a withholding tax of 5% or 10%, depending on the tax jurisdiction of the holding company and deferred taxation is provided for in this respect.

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 expenditures including, lease charges of land use rights and all property development expenditures, which is included in the profit and loss statement as taxation charge.

## 8. Dividends

	2008 HK\$'000	2007 HK\$'000
Interim cash dividend of 1 HK cent (2007: 2.5 HK cents) per share	24,704	61,368
Special interim cash dividend (2007: 25 HK cents per share)	-	614,673
Proposed final cash dividend of 1 HK cent (2007: 3 HK cents) per share	24,704	73,771
	<u>49,408</u>	<u>749,812</u>
The dividends have been settled by cash as follows:		
Interim	24,704	676,041
Final	-	73,771
	<u>24,704</u>	<u>749,812</u>

The Board of Directors recommended the payment of a final cash dividend in respect of 2008 of 1 HK cent (2007: 3 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2009.

## 9. (Loss)/earnings per share

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

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit attributable to shareholders	<b>(617,247)</b>	2,451,142
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	<b>1,244</b>	1,536
(Loss)/profit for calculation of diluted (loss)/earnings per share	<b>(616,003)</b>	2,452,678

	<b>Number of shares</b>	
	<b>2008</b>	2007
Weighted average number of shares for calculating basic (loss)/earnings per share	<b>2,465,575,000</b>	2,444,603,000
Effect of dilutive potential ordinary shares		
Convertible bonds	<b>15,233,000</b>	21,277,000
Share options	<b>2,207,000</b>	8,628,000
Weighted average number of shares for calculating diluted (loss)/earnings per share	<b>2,483,015,000</b>	2,474,508,000

## 10. Debtors and prepayments

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Trade debtors, net of provision	<b>12,693</b>	125,175
Other debtors, net of provision	<b>40,643</b>	79,469
Land deposit	<b>860,709</b>	42,150
Prepayments and other deposits	<b>25,330</b>	81,434
	<b>939,375</b>	328,228

Trade debtors mainly comprise receivables 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 marketing conditions.

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

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Within one month	<b>10,757</b>	123,689
Two to three months	<b>1,816</b>	1,179
Four to six months	<b>120</b>	249
Over six months	<b>-</b>	58
	<b>12,693</b>	125,175

## 11. Creditors and accruals

	2008	2007
	HK\$'000	HK\$'000
Trade creditors	287,248	559,432
Other creditors	19,183	38,670
Amounts due to minority shareholders	119,146	83,988
Accrued operating expenses	32,379	63,718
Advanced proceeds on sale of properties	22,129	66,988
Deposits received	82,777	71,132
	<u>562,862</u>	<u>883,928</u>

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

	2008	2007
	HK\$'000	HK\$'000
Within one month	285,936	506,973
Two to three months	1,295	2,474
Four to six months	-	174
Over six months	17	49,811
	<u>287,248</u>	<u>559,432</u>

## 12. Guarantees

As of 31 December 2008, the Group and the Company has executed the following guarantees in favour of the following parties:

### Group

	2008		2007	
	Outstanding	Utilised	Outstanding	Utilised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
- jointly controlled entities	2,404,250	1,437,350	775,000	437,750
- associated companies	1,008,750	641,550	1,008,750	641,550
	<u>3,413,000</u>	<u>2,078,900</u>	<u>1,783,750</u>	<u>1,079,300</u>

### Company

	2008		2007	
	Outstanding	Utilised	Outstanding	Utilised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	5,952,747	4,016,144	6,044,917	3,231,891
- jointly controlled entities	2,404,250	1,437,350	775,000	437,750
- associated companies	1,008,750	641,550	1,008,750	641,550
	<u>9,365,747</u>	<u>6,095,044</u>	<u>7,828,667</u>	<u>4,311,191</u>
Convertible bondholders in respect of the convertible bond issued by a subsidiary (Note)	20,000	20,000	40,000	40,000
	<u>9,385,747</u>	<u>6,115,044</u>	<u>7,868,667</u>	<u>4,351,191</u>

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.

(Note) The entire amount of the outstanding convertible bonds was redeemed at 91.49% by the Group on 23 March 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

For the year ended 31 December 2008, revenue was HK\$1,153 million (compared to HK\$4,800 million for year 2007). Properties sales was down from HK\$4,383 million in 2007 to HK\$744 million in 2008, due to the fact that lesser than expected properties sales were recognised (principally from The Great Hill in Hong Kong) during the year. Rental income slightly increased from HK\$213 million in 2007 to HK\$262 million in 2008. The Group continued to achieve good occupancy rate and satisfactory rental level with its investment properties.

During the year under review, the Group has had a loss of HK\$572 million (2007: profit HK\$2,630 million). Principally, this was mainly due to the HK\$667 million impairment loss charged to the consolidated profit and loss statement of the Group for year 2008 with respect to the diminution in value of the 162.5 million shares of Galaxy Entertainment Group Limited (“*GEG*”) which the Group still retains after the partial disposal in 2007. Weaker than expected properties sales in terms of both volume and pricing in the wake of the global financial crisis also contributed to this. Despite this, the Group’s core business and operations remain solid. Our operating profit excluding the change in fair value of investment properties and impairment loss (2007: gain on disposal) of non-current investments was HK\$398 million (2007: HK\$1,080 million).

#### *Mainland China*

Most of the Group’s property development projects in Shanghai and Guangzhou were under construction or development and works were progressing well.

(A) Current Major Development Properties (total gross floor area (“*GFA*”) of approximately 2,100,000 square meters)

#### *Shanghai*

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

The Group has already completed the development of Phase I of this luxurious condominium project. The Group has launched pre-sales of Phase II (approximately 140,000 square metres) over which the Group has registered good sales in terms of both volume and pricing. The Group expects to recognise properties sales of Phase II in 2009. The Group has also started the development of Phase III of this project (approximately 2,100,000 square metres).

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

The project is located in Shanghai’s traditionally up-scale prestigious residential area. The GFA of this project 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 styled serviced apartments. Construction work has already been underway and

is progressing on schedule. Depending on the then property market in Shanghai, there is plan for the launch of pre-sales of certain residential units in this project.

*(iii) Phase III, Yanjiazhai, Jingan District (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. Construction works have been commenced and depending on the Shanghai market conditions, the development is expected to be completed by 2011.

*(iv) Minhang District Project (100% owned)*

The Group has fully paid the land price of Renminbi ¥711,500,000 in August 2008 and the project is now in the design stage. The permissible buildable floor area of this land – residential and commercial – is approximately 171,290 square metres on present estimation. The Group is planning to develop this land into an integrated residential and commercial complex.

Guangzhou

*(v) Yingbin Road, Huadu District (100% owned)*

This site is close to the New Baiyun International Airport with total GFA of approximately 323,000 square metres. The project is planned for a composite development with hotel, offices and premium residential towers. Completion for the 1st phase of this project – comprising hotel and offices – is expected for 2010, in time for business opportunities in the 2010 Asian Games in Guangzhou.

*(vi) Xinhua Zhen, Huadu District (99.99% owned)*

This project has a total permissible floor area of approximately 1,147,000 square meters and will be developed in phases. One of the plots in this project has already been in the planning stage for residential-cum-commercial retail development. The rest of the land in this project has been planned mostly for residential development. The Group has started the process of clearing the occupants and the communes on the land for development of Phase I of this project in 2009.

*(vii) Guangzhou – Jianshebei Road, Huadu District (100% owned)*

This newly acquired land is located in the downtown area of Hua Dou with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. It has also been in the planning stage for residential development. Depending on Guangzhou market conditions, the Group plans to commence construction in later part of 2009 for project completion by, as presently estimated, 2011.

(B) Investment Property (approximately 72,000 square meters)

*Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (39.6% effective interest)*

On investment property, demand for Grade-A office in Shanghai remained strong with near 100% occupation rate for the Group's K. Wah Centre in Shanghai, bringing in good rental income and satisfactory investment return for the Group. This flagship investment property contributes strong stable income to the Group. The Group was able to achieve good rental level on lease renewal.

***Hong Kong***

The Great Hill continued to contribute properties sales revenue and the commercial complex J Senses has contributed stable rental revenue to the Group. Construction of the Group's development projects has been progressing in accordance with development schedules.

(A) Current development properties

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

The development of the project was completed in November 2007. Over half of the apartment units have already been sold and revenue recognized. The Group will continue to time the best market opportunity to dispose of the rest of the apartments and town houses in this project.

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

The Group has disposed of all but one of the residential units in this project. J Senses – the premium dining and shopping arcade of this project with GFA of approximately 3,400 square metres – continues to deliver stable rental income for the Group.

*(iii) No.6 Shiu Fai Terrace, Stubbs Road (100% owned)*

The Group has commenced construction works on this project. It is expected to be developed into a 12-storey luxury residential tower (estimated GFA of approximately 6,340 square metres) with targeted sales launch by 2010.

*(iv) Aberdeen Inland Lot No. 451, Welfare Road, Aberdeen (35% owned)*

This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. The Group leads and is the project manager of this development. Total GFA is presently estimated to be approximately 60,000 square metres. Sub-structure works are underway and the Group expects completion by 2012.

*(v) Tai Po Town Lot No. 188, Tai Po (25% owned)*

This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 69,700 square metres. Foundation works have already started and the Group expects completion by 2011.

*(vi) Tai Po Town Lot No. 186, Tai Po (15% owned)*

This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 66,500 square metres. Foundation works have already started and the Group expects completion by 2011.

*(vii) Kowloon Inland Lot No. 11073, West Kowloon (15% owned)*

This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 60,500 square metres, of which approximately 8,000 square metres will be allocated for niche market retail. Foundation works have already started and the Group expects completion by 2011.

**(B) Other properties in Hong Kong**

*(i) Skyline Commercial Centre, Wing Lok Street, Sheung Wan (100% owned)*

This 24-storey centrally located office building has approximately 3,900 square metres of office space and ground floor shops. It is almost fully occupied and is contributing stable rental income to the Group.

*(ii) Kingsfield Centre, Shell Street, North Point (100% owned)*

This 26-storey office building (approximately 1,900 square metres of office space) has been enjoying good occupancy and is contributing stable 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 car-parks) has maintained satisfactory occupancy with stable income.

***Investment in Galaxy Entertainment Group Limited***

Following the disposal of 452,500,000 GEG shares in 2007, the Group's shareholding in GEG was reduced from 18.7% to 4.1% (approximately 162.5 million shares). Based on the closing price of the GEG Shares as at 31 December 2008 of HK\$1.06 per share, there is diminution in fair value of the GEG Shares of approximately HK\$1,019 million, of which, as said, an impairment loss of approximately HK\$667 million has been charged to the Group's consolidated profit and loss statement and approximately HK\$352 million has been charged against the reserves in the Group's consolidated balance sheet of the Group for the year ended 31 December 2008. This impairment charge has no effect on the cash flow for the Group's operations and accordingly does not affect the core business of the Group of property development and property investment in Hong Kong, Mainland China and Singapore.

## **OUTLOOK**

For financial services industry and global economy, 2008 was the most horrendous year in over half a century. 2009 will remain challenging if not difficult. Against this backdrop of financial crisis, we expect Mainland China to outperform Western economies in the process of recovering, and Hong Kong will benefit because of its close proximity to the Mainland China economy.

It is encouraging to note the huge efforts the Central Government has put in to revitalize the economy of Mainland China, and the host of initiatives by the Central government has restored confidence in the property market. We have captured this turnaround in market sentiment through the launch of our Shanghai Westwood Phase II over which market response was pleasing. We will continue to push for revenue and cash-flow with our Shanghai Westwood Phase II sales. Given the strong fundamentals and the national policy supporting from behind, we remain confident with the long-term prospect of the Shanghai and Guangzhou – respectively host to the 2010 World Expo and the 2010 Asian Games – and the property market in these 2 cities.

For the Hong Kong property market, into the first part of 2009 we have seen that both transacted prices and volume have been recovering from their trough in 2008. General expectation is that the market will remain stable in 2009. With limited annual supply, there is fair chance that the Hong Kong property market may poise to benefit from the new inflation cycle once global recessionary pressure eases.

In the times ahead, the management will continue to adjust its business strategy to apply execution plan in a cautious, cost-effective, and disciplined manner.

## **REVIEW OF FINANCE**

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

The financial position of the Group remained strong. Total funds employed was maintained at HK\$14 billion at 31 December 2008 (2007: HK\$14 billion).

The number of the issued shares of the Company increased as a result of the exercise of share options and the conversion of convertible bonds during the year.

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

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2008, total bank borrowings amounted to HK\$4,744 million. Cash and bank balances as of 31 December 2008 stood at HK\$1,291 million and the gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets excluding cash and bank balances, stayed at a healthy level of 25% at 31 December 2008.

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

The Group's liquidity and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its commitments and operational requirements. On 23 March 2009, the Group has redeemed the entire amount of the outstanding convertible bonds of HK\$20 million at 91.49% of their principal amount.

**(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 dollars. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposures. Interest rate swap contracts are also utilised when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the year, the Group has not engaged in the use of these derivative products.

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

As of 31 December 2008, 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\$6,409 million (2007: HK\$5,618 million) to banks to secure the Group's borrowing facilities.

**(5) *Guarantees***

As of 31 December 2008, 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\$5,953 million (2007: HK\$6,045 million), HK\$2,404 million (2007: HK\$775 million) and HK\$1,009 million (2007: HK\$1,009 million) respectively, of which HK\$4,016 million (2007: HK\$3,232 million), HK\$1,437 million (2007: HK\$438 million) and HK\$642 million (2007: HK\$642 million) have been utilised respectively.

The Company has also 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\$20 million (2007: HK\$40 million) at 31 December 2008. On 23 March 2009, the Company has redeemed the HK\$20 million convertible bonds at 91.49% of their face value in accordance with the terms of their issue.

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.

## CHANGES IN THE BOARD

During the year under review, Dr. Philip Wong Kin Hang and Dr. Charles Cheung Wai Bun retired, respectively, as Non-executive Director and as Independent Non-executive Director of the Company at the conclusion of the annual general meeting on 27 May 2008. Mr. Lam Kwong Yu has been appointed as an Executive Director of the Company with effect from 28 May 2008. Mr. Lennon Lun Tsan Kau resigned as an Executive Director and Deputy Managing Director of the Company with effect from 16 June 2008. Dr. William Yip Shue Lam has been appointed as an Independent Non-executive Director of the Company with effect from 20 June 2008. Mr. Eddie Hui Ki On resigned as an Executive Director and the (acting) Managing Director of the Company with effect from 6 January 2009. Dr. Che-woo Lui, being an Executive Director and the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 6 January 2009.

## RETIREMENT OF DIRECTOR

Dr. The Hon. Leo Lee Tung Hai and Sir David Akers-Jones will be retired and elected to offer themselves for re-election at the 2009 AGM according to Bye-law 109(A) of the Bye-Laws and the corporate governance practices of the Company. At the 2009 AGM, in accordance with Bye-law 100 of the Bye-Laws of the Company, Dr. William Yip Shue Lam and Mr. Lam Kwong Yu will hold office until the 2009 AGM, and being eligible, Dr. William Yip Shue Lam will offer himself for re-election. Mr. Lam Kwong Yu has elected not to offer himself for re-election at the 2009 AGM of the Company.

## CORPORATE GOVERNANCE

### Code Provision A.2.1

During the year ended 31 December 2008, the Company had complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (“*Listing Rules*”) on The Stock Exchange of Hong Kong Limited (“*Exchange*”) for the relevant period, except that there was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by the Chairman of the Board.

The Board is of the view that the current management structure has been effective in facilitating the Company’s operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board found that the current management had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the five Independent Non-Executive Directors have contributed valuable independently views and proposals for the Board’s deliberation and decisions. The board will review the management structure regularly to ensure it continues to meet these objectives and is in line with industry practices.

#### Code Provision A.4.2

Throughout the year under review, the Company has complied with the code provisions in the Code, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Bye-Laws of the Company and the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

#### **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 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 2 April 2009 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.

Mr. Eddie Hui Ki On resigned as the chairman of the Remuneration Committee and Dr. Che-woo Lui has been appointed as the chairman of the Remuneration Committee of the Company, both effective on 6 January 2009.

#### **AUDIT COMMITTEE**

The Audit Committee of the Company, which comprises two Independent Non-executive Directors (one of whom acts as chairman of the Committee) and one Non-executive Director, has met on 2 April 2009 and reviewed the Group's 2008 annual results. Dr. William Yip Shue Lam has replaced Dr. Charles Cheung Wai Bun as chairman of the Audit Committee of the Company since 20 June 2008.

#### **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 2008.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members will be closed from 27 May 2009 to 3 June 2009, 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 26 May 2009.

## **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 2008 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 & Managing Director), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Lam Kwong Yu; the Non-executive Director is Mr. Michael Leung Man Kin; and the Independent Non-executive Directors are Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Mr. Robert George Nield and Dr. William Yip Shue Lam.

By Order of the Board  
**K. Wah International Holdings Limited**  
**Chan Ming Tak, Ricky**  
**Company Secretary**

Hong Kong, 7 April 2009

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