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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN AND SHAREHOLDER'S LOAN TO MAX ORIENT HOLDINGS LIMITED

On 6 January 2010, Million Link (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Pilot Time under which Million Link has agreed to acquire the Sale Shares in and the Shareholder's Loan to Max Orient from Pilot Time for a total consideration of HK\$770,438,000. The Sale Shares represent the entire issued share capital of Max Orient. Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a Sino-foreign equity joint venture incorporated in the PRC and a non-wholly owned subsidiary of the Company. A deposit in the aggregate sum of HK\$154,087,600 was paid to Pilot Time upon signing of the Agreement, such deposit to be used as part payment of the Consideration.

As at the date of this announcement and prior to completion of the Transaction, Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a non-wholly owned subsidiary of the Company (over which the Company has effective management control), and Pilot Time is an associate of Max Orient. Accordingly, both Pilot Time and Max Orient are connected persons of the Company pursuant to Rules 14A.11(1) and 14A.11(4) of the Listing Rules, and the Transaction constitutes a connected transaction for the Company. Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction are more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company. The Transaction is therefore subject to the reporting, announcement and independent shareholders' (being Shareholders who do not have a material interest in the Transaction) approval requirements pursuant to the Listing Rules. So far as the Company is aware having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and is required to abstain from voting on the resolution to approve the Transaction. Pursuant to Rule 14A.43 of the Listing Rules, a closely allied group of shareholders together holding approximately 57.68% of the issued share capital of the Company has given their written consent to the Transaction. The Company will apply to the Stock Exchange for a waiver from the requirement to convene a special general meeting of the Company and to accept the written consent of such closely allied group of shareholders in lieu.

A circular containing further details of the Transaction, a letter of recommendation from the independent board committee of the Company and a letter of advice from an independent financial adviser to the independent board committee and the independent Shareholders of the Company will be despatched to the Shareholders as soon as practicable.

1. KEY TERMS OF THE AGREEMENT

Date: 6 January 2010

Parties:

1. Pilot Time as vendor.
2. Million Link as purchaser.
3. Offshore Capital Finance Limited as the Primary Guarantor
4. Global Orient Finance Ltd. as the Secondary Guarantor

As at the date of the Agreement, Pilot Time was beneficially interested in the entire issued share capital in Max Orient. Pilot Time is incorporated in the British Virgin Islands and its principal activity is investment holding. Million Link is incorporated in the British Virgin Islands and is an indirectly wholly-owned subsidiary of the Company, and its principal activity is investment holding.

As at the date of this announcement and prior to completion of the Transaction, Max Orient has a 30% registered capital equity interest in the Joint Venture Company, a non-wholly owned subsidiary of the Company (over which the Company has effective management control), and Pilot Time is an associate of Max Orient. Accordingly, both Pilot Time and Max Orient are connected persons of the Company pursuant to Rules 14A.11(1) and 14A.11(4) of the Listing Rules, and the Transaction constitutes a connected transaction for the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Primary Guarantor and Secondary Guarantor are independent third parties, and there are no prior transactions entered into between the Group and either the Primary Guarantor or Secondary Guarantor.

Subject Matter of the Transaction

Pursuant to the Agreement, Pilot Time has conditionally agreed to sell, assign and transfer and Million Link has conditionally agreed to acquire, assume and take the Sale Shares free from all encumbrances and together with all rights attached thereto, and all rights, title and interests in the Shareholder's Loan free from all encumbrances and together with all rights therein.

Consideration and Payment

The consideration for the Transaction of HK\$770,438,000 was arrived at after arm's length negotiations between Pilot Time and Million Link and was on normal commercial terms, after having taken into account the minority nature of the equity interest in the Joint Venture Company held by Max Orient, the fact that Max Orient has no effective management control over the Joint Venture Company and is only entitled to dividends, the audited financial statements of Max Orient for the year ended 31 December 2008, the unaudited financial statements of Max Orient as at 30 November 2009.

Payment of the Consideration is to be made in cash. A deposit in the aggregate sum of HK\$154,087,600 ("**Deposit**") has been paid to Pilot Time. The Deposit will be used as part payment of the Consideration, and the balance of HK\$616,350,400 will be paid upon completion of the Transaction which is expected to occur on or before 25 February 2010.

The Loan, which is secured by way of, inter alia, a charge over the Sale Shares, the assignment of the Shareholder's Loan and an equity pledge over the interests of Max Orient in the Joint Venture Company (collectively the "**Security**"), remains outstanding. Upon Completion, the Lender shall get ready documents for the release of the Security and Million Link will pay to the Lender a sum for full settlement of the Loan. The remaining amount after deducting the Loan amount will be paid to Pilot Time.

The consideration for the Transaction will be financed by internal resources of the Group.

Conditions Precedent for Completion

Completion shall be conditional upon:

- (i) each of the warranties made by Pilot Time or Million Link (as the case may be) being true and correct in all material respects as at the date of the Agreement and as at the date of Completion;
- (ii) Pilot Time providing the audited accounts of Max Orient for the year ended 31 December 2009 to Million Link on or before 19 February 2010; and
- (iii) the Company having duly complied with all notification, publication and shareholders' approval requirements (if required) under Chapter 14 of the Listing Rules in respect of the transactions contemplated under the Agreement in accordance with the Listing Rules which if not complied with will adversely affect Million Link's ability to complete the Transaction.

If the conditions are not complied with by the respective party by 25 February 2010 (or such other date as agreed by the parties in writing), the non defaulting party may give notice to the defaulting party to either postpone Completion to a date (being a Business Day) falling not more than three (3) Business Days after 25 February 2010 (or such other date as agreed by the parties in writing), proceed to Completion as far as practicable (without limiting the rights of the non defaulting party under the Agreement), or terminate the Agreement.

Completion

Completion of the Transaction shall take place on the date that is two Business Days after all the conditions precedent have been satisfied or waived by the relevant party, but in no event shall the date of Completion be later than 25 February 2010 or such other date as agreed by the parties in writing.

Guarantee

The Primary Guarantor has agreed to unconditionally and irrevocably guarantee the due and punctual performance by Pilot Time of all its obligations due and owing to Million Link under the Agreement, and to pay, on demand, any sum which Pilot Time fails to pay to Million Link when due pursuant to the Agreement.

The Secondary Guarantor has agreed to guarantee the obligation of the Primary Guarantor. Prior to any claim or enforcement of guarantee against the Secondary Guarantor, Million Link is required to have taken any and all proceedings against Pilot Time and the Primary Guarantor and any and all actions are required to have been taken by Million Link to realize or enforce any other security, guarantee, indemnity, right or remedy against Pilot Time and the Primary Guarantor.

Termination of the Agreement

If the Agreement is terminated in accordance with its terms by Million Link, the Deposit (together with all interest accrued) will be returned to Million Link upon the termination of the Agreement, without prejudice to Million Link's rights to claim loss and damages.

If the Agreement is terminated in accordance with its terms by Pilot Time, a portion of the Deposit in the sum of HK\$80,000,000 will be retained by Pilot Time upon the termination of the Agreement, without prejudice to Pilot Time's rights to claim loss and damages. The remainder of the Deposit (together with all interest accrued) will be returned to Million Link.

Subject to the foregoing, upon termination, the Agreement shall become void and have no further effect; provided, however that no party shall be relieved of any liability for any antecedent breach of the Agreement.

Notwithstanding the foregoing, Million Link and Pilot Time are not precluded from obtaining an order for specific performance of the transactions contemplated under the Agreement.

2. INFORMATION ON THE PARTIES TO THE AGREEMENT

- (i) Pilot Time is principally engaged in investment holding.
- (ii) Million Link is an indirect wholly-owned subsidiary of the Company, and is principally engaged in investment holding.
- (iii) Offshore Capital Finance Limited is principally engaged in investment holding and is acting as guarantor for its fellow subsidiary.
- (iv) Global Orient Finance Ltd. is principally engaged in investment holding and is acting as guarantor for its fellow subsidiary.

3. INFORMATION ON MAX ORIENT AND THE JOINT VENTURE COMPANY

The Sale Shares constitute the entire issued share capital of Max Orient, a wholly-owned subsidiary of Pilot Time. Max Orient is an investment holding company and its sole asset of significance is its 30% minority interest in the Joint Venture Company. After Completion, Max Orient will be consolidated in the Company's accounts as a subsidiary.

The Joint Venture Company is the registered owner of the Property, which is its sole asset of significance. The Property comprises a Grade-A office tower together with two ancillary buildings, with a total gross floor area of, approximately 72,000 square metres, located in Shanghai city and was completed in 2005 by the Group as project manager. The Group has effective management control over the Joint Venture Company since commencement of business.

4. FINANCIAL INFORMATION OF MAX ORIENT

According to the audited financial statements of Max Orient, (i) the net profit both before and after

taxation amounted to HK\$39,497,897 for the period from 26 January 2007 (date of incorporation of Max Orient) to 31 December 2007, and (ii) the net profit before and after taxation amounted to HK\$12,043,927 and HK\$10,511,895 respectively for the year ended 31 December 2008. The unaudited net loss both before and after taxation for the eleven months ended 30 November 2009 amounted to HK\$9,235,719. The financial information of Max Orient for the year ended 31 December 2009 is not yet available. It is expected that the unaudited financial information of Max Orient for the year ended 31 December 2009 will be included in the circular of the Company to be despatched.

According to the unaudited financial information of Max Orient, as at 30 November 2009, the total assets and the total liabilities (including the Loan and the Shareholder's Loan) of Max Orient amounted to approximately HK\$634 million and HK\$589 million respectively, resulting in net asset value of approximately HK\$45 million. Taking into account the valuation of the Property carried out by DTZ Debenham Tie Leung Limited on an open market value basis at 31 December 2009, the total assets and the total liabilities of Max Orient were approximately HK\$797 million and HK\$595 million respectively, resulting in net asset value of approximately HK\$202 million.

5. INFORMATION ON THE COMPANY

The Company is an investment holding company. Its principal subsidiaries are mainly engaged in property development and property investment in the Mainland China, Hong Kong, and South East Asia.

6. REASONS FOR AND BENEFIT FOR THE TRANSACTION

The Directors are optimistic about the property market in the Mainland China. After completion of the Transaction, the effective interest of the Group in the Joint Venture Company which holds the Property will increase from 39.6% to 69.6%. The Directors (excluding the independent non-executive directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the Transaction enables the Group to have a greater share in the rental income stream and future capital gain on the Property. This is consistent with the strategy of the Group on long-term holding of quality property investments.

The Directors of the Company (excluding the independent non-executive directors whose views will be given after taking into account the advice from the independent financial adviser) also consider that the terms of the Agreement and the Consideration paid for the Transaction are fair and reasonable taking into account the underlying assets of Max Orient, and that the Transaction is in the interest of the Company and the Shareholders as a whole and are on normal commercial terms.

7. GENERAL

As at the date of this announcement and prior to completion of the Transaction, Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a non-wholly owned subsidiary of the Company (over which the Company has effective management control), and Pilot Time is an associate of Max Orient. Accordingly, both Pilot Time and Max Orient are connected persons of the Company pursuant to Rules 14A.11(1) and 14A.11(4) of the Listing Rules, and the Transaction constitutes a connected transaction for the Company. Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction are

more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company. The Transaction is therefore subject to the reporting, announcement and independent shareholders' (being Shareholders who do not have a material interest in the Transaction) approval requirements pursuant to the Listing Rules. So far as the Company is aware having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and is required to abstain from voting on the resolution to approve the Transaction. Pursuant to Rule 14A.43 of the Listing Rules, Dr. Che-woo Lui, the Chairman and Managing Director of the Company, holding 5,208,534 Shares, together with companies directly or indirectly owned by him (Mark Liaison Limited holding 58,157,031 Shares, Premium Capital Profits Limited holding 135,435,613 Shares, Super Focus Company Limited holding 1,086,035,985 Shares, Po Kay Securities & Shares Company Limited holding 3,095,377 Shares, Favor Right Investments Limited holding 101,209,000 Shares and Best Chance Investments Ltd. holding 35,696,109 Shares) being a closely allied group of shareholders together holding 1,424,837,649 Shares, representing approximately 57.68% of the issued share capital of the Company have given their written consent to the Transaction. The Company will apply to the Stock Exchange for a waiver from the requirement to convene a special general meeting of the Company and to accept the written consent of such closely allied group of shareholders in lieu.

A circular containing further details of the Transaction, a letter of recommendation from the independent board committee of the Company, a letter of advice from an independent financial adviser to the independent board committee and the independent Shareholders of the Company will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement unless the context otherwise requires, the following terms have the following meanings:

“ <i>Agreement</i> ”	the conditional agreement for sale and purchase dated 6 January 2010 among Pilot Time, Primary Guarantor, Secondary Guarantor and Million Link in connection with the Transaction
“ <i>Business Day</i> ”	any day on which licensed banks in PRC, Hong Kong and British Virgin Islands are officially open for general business, except a Saturday and Sunday
“ <i>Company</i> ”	K. Wah International Holdings Limited, an exempted company incorporated with limited liability in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“ <i>Completion</i> ”	completion of the Transaction by the parties pursuant to the terms of the Agreement
“ <i>connected person</i> ”	the meaning defined in the Listing Rules
“ <i>Consideration</i> ”	HK\$770,438,000 payable in cash
“ <i>Director(s)</i> ”	the director(s) of the Company
“ <i>Group</i> ”	the Company and its subsidiaries

<i>“Hong Kong” and “HK\$”</i>	respectively, the Hong Kong Special Administrative Region of the PRC and Hong Kong dollars, the lawfully currency of Hong Kong
<i>“independent third party”</i>	the meaning defined in the Listing Rules
<i>“Joint Venture Company”</i>	Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司), a Sino-foreign equity joint venture established in the PRC
<i>“Lender”</i>	Lehman Brothers Commercial Corporation Asia Limited, a company incorporated under the laws of Hong Kong with limited liability
<i>“Listing Rules”</i>	the Rules Governing the Listing of Securities on the Stock Exchange
<i>“Loan”</i>	an outstanding non-recourse loan owed by Max Orient to the Lender in the amount of approximately HK\$541 million as at 30 November 2009
<i>“Max Orient”</i>	Max Orient Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of Pilot Time
<i>“Million Link”</i>	Million Link Group Limited, named as the purchaser in the Agreement, a company incorporated under the laws of British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
<i>“Pilot Time”</i>	Pilot Time Investments Limited, named as the vendor in the Agreement, a company incorporated under the laws of British Virgin Islands with limited liability
<i>“PRC”</i>	the People’s Republic of China
<i>“Primary Guarantor”</i>	Offshore Capital Finance Limited, a company incorporated under the laws of British Virgin Islands with limited liability
<i>“Property”</i>	Shanghai K. Wah Centre, located at Lot No.26, Street No.6, Huaihai Zhong Road, Xuhui District, Shanghai, the PRC, the sole registered owner of which is the Joint Venture Company
<i>“Sale Shares”</i>	1,000 ordinary shares of Max Orient with a par value of HK\$1.00 each (fully paid-up), being the entire issued share capital of Max Orient
<i>“Share(s)”</i>	share(s) of HK\$0.10 each in the capital of the Company
<i>“Secondary Guarantor”</i>	Global Orient Finance Ltd., a company incorporated under the laws of British Virgin Islands with limited liability

“Shareholder(s)”	the shareholder(s) of the Company
“Shareholder’s Loan”	a debt of approximately HK\$47 million (including accrued interest of approximately HK\$3 million) owing by Max Orient to Pilot Time, and which is to be assigned to Million Link pursuant to the terms of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the proposed sale, assignment and transfer by Pilot Time, and acquisition, assumption and taking of by Million Link of the Sale Shares and Shareholder’s Loan pursuant to the terms of the Agreement
“%”	Percentage

At the date of this announcement, the executive directors of the Company are Dr. Che-woo Lui (Chairman & Managing Director), Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu; the non-executive directors are Mr. Michael Leung Man Kin and Dr. Moses Cheng Mo Chi; and the independent non-executive directors are Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Prof. Poon Chung Kwong.

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

Hong Kong, 7 January 2010

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