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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 2009

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 2009 as follows:

- Revenue was HK\$2,737 million (2008: HK\$1,153 million)
- Profit for the year was HK\$1,280 million (2008: loss of HK\$572 million)
- Profit attributable to equity holders of the Company was HK\$916 million (2008: loss of HK\$617 million)
- Earnings per share was 37.10 HK cents (2008: loss per share of 25.03 HK cents)

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 21 June 2010 (“**2010 AGM**”) a final scrip dividend (with a cash option) for the year ended 31 December 2009 of 10 HK cents per share, totaling HK\$247,484,000, payable on 23 July 2010 to the shareholders whose names appear on the registers of members of the Company at the close of business on 21 June 2010 (2008: a final cash dividend of 1 HK cent per share totaling HK\$24,704,000). Together with the interim cash dividend of 1 HK cent per share (2008: interim cash dividend of 1 HK cent per share), total dividends per share for the year ended 31 December 2009 is 11 HK cents (2008 total: 2 HK cents).

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 23 July 2010 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 2009

	Note	2009 HK\$'000	2008 HK\$'000
Revenue	3	2,737,187	1,152,989
Cost of sales		<u>(1,196,678)</u>	<u>(553,118)</u>
Gross profit		1,540,509	599,871
Other operating income		41,357	39,252
Other net gains		97,683	11,957
Other operating expenses		(31,755)	(31,184)
Administrative expenses		(210,962)	(221,688)
Change in fair value of investment properties		608,646	(62,298)
Impairment loss of non-current investments		-	(667,053)
Finance cost	5	(33,811)	(130,694)
Share of profits of jointly controlled entities		40,798	54,902
Share of losses of associated companies		(57)	(63)
Profit/(loss) before taxation	4	<u>2,052,408</u>	<u>(406,998)</u>
Taxation charge	6	<u>(772,496)</u>	<u>(164,869)</u>
Profit/(loss) for the year		<u>1,279,912</u>	<u>(571,867)</u>
Attributable to:			
Equity holders of the Company		916,393	(617,247)
Minority interests		363,519	45,380
		<u>1,279,912</u>	<u>(571,867)</u>
Dividends			
Interim paid		24,704	24,704
Proposed final		247,484	24,704
	7	<u>272,188</u>	<u>49,408</u>
Earnings/(loss) per share	8	HK cents	HK cents
Basic		37.10	(25.03)
Diluted		<u>37.09</u>	<u>(24.81)</u>
Dividend per share		HK cents	HK cents
Interim		1.0	1.0
Proposed final		<u>10.0</u>	<u>1.0</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009	2008
	HK\$'000	HK\$'000
Profit/(loss) for the year	1,279,912	(571,867)
Other comprehensive income		
Change in fair value of non-current investments	346,091	(351,722)
Exchange differences	(18,469)	306,695
Other comprehensive income/(loss) for the year, net of tax	327,622	(45,027)
Total comprehensive income/(loss) for the year	1,607,534	(616,894)
Total comprehensive income/(loss) attributable to		
Equity holders of the Company	1,241,615	(733,552)
Minority interests	365,919	116,658
	1,607,534	(616,894)

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		219,643	57,831
Investment properties		4,364,555	3,746,543
Leasehold land and land use rights		66,033	66,739
Jointly controlled entities		2,391,362	2,282,665
Associated companies		739,898	714,198
Non-current investments		518,324	172,233
Deferred taxation assets		24,320	-
Other non-current assets		100,112	4,858
		<u>8,424,247</u>	<u>7,045,067</u>
Current assets			
Development properties		7,106,032	5,682,099
Debtors and prepayments	9	298,423	939,375
Amounts due from jointly controlled entities		59,540	-
Tax recoverable		3,931	5,756
Structured bank deposits		499,796	-
Cash and bank balances		1,773,837	1,291,179
		<u>9,741,559</u>	<u>7,918,409</u>
Total assets		<u>18,165,806</u>	<u>14,963,476</u>
EQUITY			
Share capital		247,038	247,038
Reserves		8,657,477	7,458,661
Shareholders' funds		<u>8,904,515</u>	<u>7,705,699</u>
Minority interests		1,492,701	1,198,556
Total equity		<u>10,397,216</u>	<u>8,904,255</u>
LIABILITIES			
Non-current liabilities			
Borrowings		4,427,579	2,325,615
Deferred taxation liabilities		788,177	608,888
		<u>5,215,756</u>	<u>2,934,503</u>
Current liabilities			
Amounts due to jointly controlled entities		66,780	56,313
Creditors and accruals	10	703,502	562,862
Current portion of borrowings		1,207,899	2,418,072
Tax payable		574,653	87,471
		<u>2,552,834</u>	<u>3,124,718</u>
Total liabilities		<u>7,768,590</u>	<u>6,059,221</u>
Total equity and liabilities		<u>18,165,806</u>	<u>14,963,476</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 2008, except as stated below.

a. Change in accounting policy

The Group continually reviews the appropriateness of accounting policies adopted. During the year, the Group changed its accounting policy for leasehold land and land use rights which are accounted for as development properties. Leasehold land and land use rights which are accounted for as development properties meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”. Previously, leasehold land and land use rights which were accounted for as development properties were classified as prepaid operating lease and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land and land use rights during the development phase was capitalised as part of the development costs of the development properties. Amortisation charge incurred prior to development and following completion of the property was recognised in profit or loss.

Subsequent to the change in accounting policy, leasehold land and land use rights which are accounted for as development properties are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects management’s intent regarding the use of the land use rights, and results in a presentation consistent with industry practice.

Since development commenced almost immediately after leasehold land and land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortisation charges have been capitalised in prior years. Accordingly, the change in accounting policy has had no material effect on the consolidated profit and loss statement of the Group for the current year or comparative periods. Also, as the leasehold land and land use rights were accounted for as part of development properties in prior years, the change in accounting policy would not affect any components in the consolidated balance sheet.

b. Adoption of new/revised Hong Kong Financial Reporting Standards (“*HKFRS*”)

In 2009, the Group adopted the new accounting standards, amendments and interpretation of *HKFRS* below, which are relevant to its operations.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

1. Basis of preparation (Cont'd)

HKICPA's improvement to certain HKFRS published in October 2008

- HKAS 1 (Amendment)	Presentation of Financial Statements
- HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors
- HKAS 10 (Amendment)	Events after the Reporting Period
- HKAS 16 (Amendment)	Property, Plant and Equipment
- HKAS 18 (Amendment)	Revenue
- HKAS 19 (Amendment)	Employee Benefits
- HKAS 23 (Amendment)	Borrowing Costs
- HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
- HKAS 28 (Amendment)	Investments in Associates
- HKAS 31 (Amendment)	Interests in Joint Ventures
- HKAS 34 (Amendment)	Interim Financial Reporting
- HKAS 36 (Amendment)	Impairment of Assets
- HKAS 38 (Amendment)	Intangible Assets
- HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
- HKAS 40 (Amendment)	Investment Property
- HKFRS 7 (Amendment)	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standards, amendments and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements except the presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under HKAS 1 (Revised) and the segment information as required under HKFRS 8.

The following standards, amendments and interpretations are effective for the accounting periods of the Group beginning on and after 1 January 2010 which are relevant to its operations and the Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will result.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 8 (Amendment)	Operating Segments
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

2. Segment information

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore and carries on trading of plant and machinery in Japan. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development, property investment and trading of plant and machinery. The Group regards the Board of Directors as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other gains/losses, change in fair value of investment properties. Also, the Adjusted EBITDA excludes the share of results of jointly controlled entities and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management and administrative function.

Segment assets primarily consist of property, plant and equipment, other non-current assets, properties, debtors and prepayments, tax recoverable and cash, deposits and bank balances and other assets mainly include non-current investments and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to jointly controlled entities, borrowings, current and deferred taxation liabilities. Other liabilities included liabilities not arising from the operation of the operating segments.

2. Segment information (Cont'd)

	Property development			Property investment	Trading	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2009							
Revenue	162,290	2,206,030	-	258,862	110,005	-	2,737,187
Adjusted EBITDA	58,026	1,169,255	(1,433)	225,652	5,039	(120,014)	1,336,525
Other income/gain,net							107,285
Depreciation and amortisation							(6,978)
Change in fair value of investment properties							608,646
Finance costs							(33,811)
Share of profits of jointly controlled entities	159	40,639					40,798
Share of losses of associated companies	(57)						(57)
Profit before taxation							2,052,408
Taxation charge							(772,496)
Profit for the year							1,279,912
At at 31 December 2009							
Segment assets	1,726,077	7,977,047	60,772	4,518,487	26,566	-	14,308,949
Other assets	-	-	-	-	-	725,597	725,597
Jointly controlled entities	1,739,707	651,655	-	-	-	-	2,391,362
Associated companies	739,898	-	-	-	-	-	739,898
Total assets	4,205,682	8,628,702	60,772	4,518,487	26,566	725,597	18,165,806
Total liabilities	3,350,928	2,696,751	23,870	1,633,034	14,244	49,763	7,768,590
Year ended 31 December 2008							
Revenue	662,222	59,748	21,704	261,845	147,470	-	1,152,989
Adjusted EBITDA	329,053	(24,812)	7,417	217,157	4,293	(133,579)	399,529
Other income/gain,net							20,025
Depreciation and amortisation							(21,346)
Change in fair value of investment properties							(62,298)
Impairment loss on non-current investments							(667,053)
Finance costs							(130,694)
Share of profits of jointly controlled entities	2,219	52,683					54,902
Share of losses of associated companies	(63)						(63)
Loss before taxation							(406,998)
Taxation charge							(164,869)
Loss for the year							(571,867)
At at 31 December 2008							
Segment assets	1,190,156	6,253,187	51,548	3,985,030	33,398	-	11,513,319
Other assets	-	-	-	-	-	453,294	453,294
Jointly controlled entities	1,613,295	669,370	-	-	-	-	2,282,665
Associated companies	714,198	-	-	-	-	-	714,198
Total assets	3,517,649	6,922,557	51,548	3,985,030	33,398	453,294	14,963,476
Total liabilities	2,205,907	2,100,289	23,167	1,571,706	23,715	134,437	6,059,221

2. Segment information (Cont'd)

Geographical segment information

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

The revenue for the years ended 31 December 2009 and 2008 and total non-current assets as at 31 December 2009 and 2008 by geographical area are as follows:

Revenue

	2009	2008
	HK\$'000	HK\$'000
Hong Kong	185,101	688,652
Mainland China	2,422,619	276,167
Singapore	19,462	40,700
Japan	110,005	147,470
	<u>2,737,187</u>	<u>1,152,989</u>

Non-current assets

	2009	2008
	HK\$'000	HK\$'000
Hong Kong	3,604,241	3,019,635
Mainland China	4,669,342	3,851,720
Singapore	150,240	173,018
Japan	424	694
	<u>8,424,247</u>	<u>7,045,067</u>

Certain comparative figures have been restated to conform with the adoption of HKFRS8 - Operating Segments.

3. Revenue

	2009	2008
	HK\$'000	HK\$'000
Sale of properties	2,368,320	743,674
Rental income	258,862	261,845
Sale of goods	110,005	147,470
	<u>2,737,187</u>	<u>1,152,989</u>

4. Profit/(loss) before taxation

	2009	2008
	HK\$'000	HK\$'000
Profit/(loss) before taxation is stated after crediting:		
Interest income from banks	15,869	18,342
Interest income from mortgage loans	499	1,011
Write back of impairment loss on land deposits	64,008	-
Write back of provision for construction costs	19,459	-
Gain on disposal of a subsidiary	-	3,985
Net exchange gains	33,433	72,050
	1,047,993	319,724
and after charging :		
Cost of properties sold	1,047,993	319,724
Cost of inventories sold	93,991	132,206
Impairment loss on land deposit	-	63,897
Depreciation (net of capitalisation)	6,271	3,875
Amortisation for leasehold land and land use rights	707	17,471

5. Finance costs

	2009	2008
	HK\$'000	HK\$'000
Interest expenses		
Bank loans, overdrafts and others	146,167	186,461
Finance cost of convertible bonds	202	1,489
Capitalised as cost of properties under development	(112,558)	(57,256)
	33,811	130,694

6. Taxation charge

	2009	2008
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	139	40,747
Mainland China		
- Income tax	255,947	51,445
- Land appreciation tax	354,899	2,995
Overseas	2,963	3,923
(Over)/under provision in previous years	(4,440)	5,327
Deferred	162,988	60,432
	772,496	164,869

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in Mainland China and overseas in which the Group operates.

6. Taxation charge (Cont'd)

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.

7. Dividends

	2009 HK\$'000	2008 HK\$'000
Interim cash dividend of 1 HK cent (2008: 1 HK cent) per share	24,704	24,704
Proposed final scrip dividend (with a cash option) of 10 HK cents (2008: cash dividend, 1 HK cent) per share	247,484	24,704
	<u>272,188</u>	<u>49,408</u>
The dividends have been settled by cash as follows:		
Interim	24,704	24,704
Final	-	24,704
	<u>24,704</u>	<u>49,408</u>

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2009 of 10 HK cents (2008: cash dividend, 1 HK cent) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2010.

8. Earnings/(loss) per share

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

	2009 HK\$'000	2008 HK\$'000
Profit/(loss) attributable to equity holders of the Company	916,393	(617,247)
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	169	1,244
Profit/(loss) for calculation of diluted earnings/(loss) per share	<u>916,562</u>	<u>(616,003)</u>
	Number of shares	
	2009	2008
Weighted average number of shares for calculating basic earnings/(loss) per share	2,470,383,000	2,465,575,000
Effect of dilutive potential ordinary shares		
Convertible bonds (Note)	-	15,233,000
Share options	676,000	2,207,000
Weighted average number of shares for calculating diluted earnings/(loss) per share	<u>2,471,059,000</u>	<u>2,483,015,000</u>

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

9. Debtors and prepayments

	2009	2008
	HK\$'000	HK\$'000
Trade debtors, net of provision	12,016	12,693
Other debtors, net of provision	31,300	40,643
Land deposits, net of impairment	235,646	860,709
Prepayments and other deposits	19,461	25,330
	<u>298,423</u>	<u>939,375</u>

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

	2009	2008
	HK\$'000	HK\$'000
Within one month	9,268	10,757
Two to three months	2,738	1,816
Four to six months	10	120
	<u>12,016</u>	<u>12,693</u>

10. Creditors and accruals

	2009	2008
	HK\$'000	HK\$'000
Trade creditors	264,674	287,248
Other creditors	64,665	19,183
Amounts due to minority shareholders	108,941	119,146
Accrued operating expenses	44,703	32,379
Advanced proceeds on sale of properties	134,201	22,129
Deposits received	86,318	82,777
	<u>703,502</u>	<u>562,862</u>

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

	2009	2008
	HK\$'000	HK\$'000
Within one month	263,071	285,936
Two to three months	1,547	1,295
Four to six months	24	-
Over six months	32	17
	<u>264,674</u>	<u>287,248</u>

11. Guarantees

As of 31 December 2009, the Group and the Company has executed the following guarantees in favour of the following parties:

Group

	2009		2008	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
- jointly controlled entities	2,404,250	1,494,750	2,404,250	1,437,350
- associated companies	1,008,750	658,350	1,008,750	641,550
	3,413,000	2,153,100	3,413,000	2,078,900

Company

	2009		2008	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	5,651,560	4,351,735	5,952,747	4,016,144
- jointly controlled entities	2,404,250	1,494,750	2,404,250	1,437,350
- associated companies	1,008,750	658,350	1,008,750	641,550
	9,064,560	6,504,835	9,365,747	6,095,044
Convertible bondholders in respect of the convertible bond issued by a subsidiary (Note)	-	-	20,000	20,000
	9,064,560	6,504,835	9,385,747	6,115,044

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 were redeemed at 91.49% by the Group on 23 March 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Turnover and operating profit (excluding the change in fair value of investment properties and impairment loss of non-current investments) for the year ended 31 December 2009 were HK\$2,737 million and HK\$1,437 million respectively, higher than the corresponding year of HK\$1,153 million and HK\$398 million respectively. The substantial increase was mainly due to the sales of Shanghai Westwood Phase II and its profit recognised following the completion of the development of the project in late 2009.

Mainland China

The Group's property development projects in Shanghai and Guangzhou are under construction or development and works are progressing well. Recently, the Group has acquired a piece of land in Shanghai Qingpu District and has completed an acquisition of a company holding a 30% equity interest in our investment property, Shanghai K Wah Centre.

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

Shanghai

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

The development of Phase II of this luxurious condominium project was completed during the year and over 90% of the residential units have been pre-sold/sold. Foundation work for Phase III (approximately 100,000 square metres) is in progress and the development is expected to be completed in 2012.

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

This project is located in the traditionally up-scale residential area in Shanghai. 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 suite-hotel styled serviced apartments. Construction work is underway and is scheduled for sale in 2010.

(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 work is underway and pre-sale of certain residential units is planned to be launched during 2010.

(iv) Minhang District Project (100% owned)

With a total GFA of approximately 168,000 square metres, this project will be developed into an integrated residential and commercial complex. The development has been commenced and the residential units of the project is expected to be completed in 2012.

(v) Qingpu District Project (100% owned)

This newly acquired land is located in the Zhujiajiao Town, Qingpu District, with a total GFA of approximately 70,000 square metres. The project is now in the planning and design stage.

Guangzhou

(vi) Yingbin Road, Huadu District (100% owned)

This site is close to the New Baiyun International Airport with a 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 hotel and offices is expected in 2010.

(vii) Xinhua Zhen, Huadu District (99.99% owned)

This project has a total permissible floor area of approximately 1,147,000 square metres and will be developed in phases. The development of one of the plots in this project has been commenced.

(viii) Jianshebei Road, Huadu District (100% owned)

This project, located in the downtown area of Hua Dou, is for residential development with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. The development has been commenced and the project is targeted to be completed in 2011.

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

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (69.6% effective interest)

The overall leasing performance during the year was well satisfied by both successful fresh lettings and retention of quality tenants. This flagship investment property maintained a high average occupancy rate with attractive rentals. Upon the completion of the acquisition in February 2010, the effective interest of the Group in the property has increased to 69.6%, bringing a greater share of the ongoing strong stable income to the Group.

Hong Kong

During the year, the Group agreed to acquire three pieces of land with ownership ranging from 15% to 100%, for residential properties development. For the completed properties, the Great Hill continued to contribute properties sales revenue and the commercial complex J Senses is contributing stable rental revenue to the Group. Construction of 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 2007 and contributed 114 apartments and 8 detached houses to the market. Over half of the units have been sold. The Group will continue to time the best opportunity for disposing of the remaining apartments and houses in this project.

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

This exclusive low-rise residential project with GFA of approximately 6,340 square metres has 24 luxurious apartments, a club house and a swimming pool. The occupation permit was obtained in the first quarter of 2010 and the apartments are expected to be placed on the market in the second half of the year.

(iii) Aberdeen Inland Lot No. 451, Welfare Road, Hong Kong (35% owned)

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

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

This is a luxury residential development which the Group entered into a joint venture with other property developers. Total GFA is estimated to be approximately 69,700 square metres. Substructure works are underway and the Group expects completion by 2011.

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

This is a luxury residential development which the Group entered into a joint venture with other property developers. Total GFA is estimated to be approximately 66,500 square metres. Substructure works are underway and the Group expects completion by 2011.

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

This is a luxury residential development which the Group entered into a joint venture with other property developers. Total GFA is estimated to be approximately 60,500 square metres, of which approximately 8,000 square metres will be allocated for retail and shops. Substructure works have already started and the Group expects completion by 2011.

(vii) 2 Grampian Road, Kowloon (100% owned)

The Group plans to develop this newly acquired land into a luxury residential development with a total expected GFA of approximately 6,100 square metres. The project is now in the planning and design stage. Completion for the project is expected in 2012.

(viii) *Tai Po Town Lot No. 201, Tai Po (15% owned)*

This is a luxury residential development which the Group entered into a joint venture with another property developer. Total GFA is presently estimated to be approximately 67,000 square metres. Design work has already started.

(ix) *No. 30 Po Shan Road, Mid-Levels, Hong Kong (50% owned)*

This is a luxury residential development which the Group entered into a joint venture with another property developer in December 2009. Design work has already started.

(B) Other properties in Hong Kong

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

J Senses is a premium dining and shops, located in the heart of Hong Kong Island, with GFA of approximately 3,400 square metres. It is almost fully occupied and continues to deliver stable rental income to the Group.

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

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

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

The 26-storey building in which the Group owns a total GFA of approximately 1,900 square metre of office space maintains a high occupancy rate and delivers a stable income to the Group.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

The 12-storey office building in which the Group owns a total GFA of approximately 5,800 square metres maintains a satisfactory occupancy rate and stable income.

Investment in Galaxy Entertainment Group Limited (GEG)

The non-current investments represented the investment of GEG carried at fair market value. As at 31 December 2009, share price of GEG was HK\$3.19 per share compared to HK\$1.06 per share at 31 December 2008. The change in fair value of approximately HK\$346 million was recorded as an increase in reserve.

OUTLOOK

The property markets both in the Mainland China and Hong Kong showed a strong recovery in the middle of 2009 after witnessing a difficult start in the year. Property transaction volumes and prices have increased considerably and the rental rates of office spaces have firmed up gradually. The capital value of properties in the luxurious residential sector shows appreciation and the transaction prices have achieved record. The demand for housing is likely to remain strong in the coming few years on back of regaining confidence of home buyers and low interest rate. In view of the continuing improvement of the property market, with a number of fine projects in the pipeline, the Group remains hopeful that it will achieve sustainable growth for the near future.

REVIEW OF FINANCE

(1) *Financial Position*

The financial position of the Group remained strong. Total funds employed were increased to HK\$16 billion at 31 December 2009 (2008: HK\$14 billion). The number of the issued shares of the Company has no change 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 2009, total bank borrowings amounted to HK\$5,635 million. Cash and bank balances and deposits as of 31 December 2009 stood at HK\$2,274 million and the gearing ratio, defined as the ratio of total loans less cash and bank balances and deposits to total assets excluding cash and bank balances and deposits, stayed at a healthy level of 21 % at 31 December 2009.

Of the long-term bank borrowings, around 87% 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 derivative products for risk management.

(4) Charges on Group Assets

As of 31 December 2009, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$8,267 million (2008: HK\$6,409 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 31 December 2009, 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\$5,652 million (2008: HK\$5,953 million), HK\$2,404million (2008: HK\$2,404 million) and HK\$1,009 million (2008: HK\$1,009 million) respectively, of which HK\$4,352 million (2008: HK\$4,016 million), HK\$1,495 million (2008: HK\$1,437 million) and HK\$658 million (2008: HK\$642 million) have been utilised respectively.

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

CHANGES IN THE BOARD

During the year under review, Dr. Moses Cheng Mo Chi and Professor Poon Chung Kwong were appointed, respectively, as a Non-executive Director and an Independent Non-executive Director of the Company, both with effect from 1 August 2009. On 12 April 2010, Mr. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan were appointed as Executive Directors of the Company.

RETIREMENT OF DIRECTOR

In accordance with Bye-law 109(A) of the Bye-laws, Ms. Paddy Tang Lui Wai Yu, Mr. Michael Leung Man Kin and Dr. Robin Chan Yau Hing will retire by rotation at the forthcoming 2010 AGM, and being eligible, will offer themselves for re-election. In accordance with Bye-law 100 of the Company, Dr. Moses Cheng Mo Chi, Professor Poon Chung Kwong, Mr. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan will hold office until the forthcoming 2010 AGM, and being eligible, Dr. Moses Cheng Mo Chi, Professor Poon Chung Kwong, Mr. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan will offer themselves for re-election.

CORPORATE GOVERNANCE

Code Provision A.2.1

During the year ended 31 December 2009, 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 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 six 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 8 April 2010 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, which comprises two Independent Non-executive Directors (one of whom acts as chairman of the Committee) and one Non-executive Director, has met on 8 April 2010 and reviewed the Group's 2009 annual results.

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 2009.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 June 2010 to 21 June 2010, 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 11 June 2010.

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 2009 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, Mr. Alexander Lui Yiu Wah and Ms. Claudia Cheung Man Wan; the Non-executive Directors are Mr. Michael Leung Man Kin and Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Professor Poon Chung Kwong.

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

Hong Kong, 13 April 2010

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

Website: www.kwih.com