



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

(incorporated in Bermuda with limited liability)
(Stock Code : 173)

PROFIT WARNING

This announcement is made by K. Wah International Holdings Limited pursuant to Rule 13.09 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. **Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by K. Wah International Holdings Limited (the “*Company*”, and, together with its subsidiaries, “*Group*”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (“*Listing Rules*”) on The Stock Exchange of Hong Kong Limited (“*Stock Exchange*”).

The board of directors of the Company (“*Board*”) wishes to inform its shareholders and potential investors in the Company that, due to a diminution in fair value of non-current investments of the Group, the financial results of the Group for the year ending 31 December 2008 is expected to be adversely affected.

The Group currently holds approximately 162.5 million shares – representing approximately 4.13% of the issued share capital – of Galaxy Entertainment Group Limited (“*GEG*” and “*GEG Shares*” accordingly) as non-current investments required to be carried at fair value in its financial statements. GEG is a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange (stock code: 27). In the audited consolidated balance sheet of the Group as at 31 December 2007 and in the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008, based on the closing prices of HK\$7.33 per GEG Share and HK\$5.06 per GEG Share as of the respective financial period closing dates, the Group reported a fair value of approximately HK\$1,191 million and HK\$822 million respectively for these GEG 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 an impairment loss of approximately HK\$667 million will be charged to the consolidated profit and loss statement and approximately HK\$352 million will be charged against the reserves in the consolidated balance sheet of the Group for the year ending 31 December 2008.

This impairment charge has no effect on the cash flow for the Group’s operations and accordingly will not affect the core business of the Group of property development and property investment in Hong Kong, Mainland China and Singapore. The Board believes that the financial position of the Group remains sound and that the Group will weather the current difficult economic environment.

This profit warning announcement is based on unaudited management accounts of the Group. The actual audited consolidated financial results of the Group for the year ending 31 December 2008 have yet to be finalized, and will be released in accordance with the requirements of the Listing Rules. Shareholders and investors are advised to read the Company's results announcement carefully.

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

Hong Kong, 31 December 2008

As at the date of this announcement, the Executive Directors of the Company are Dr. Che-woo Lui (Chairman), Mr. Francis Lui Yiu Tung, Mr. Eddie Hui Ki On, 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.