

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTION
AND
FORMATION OF A JOINT VENTURE
FOR DEVELOPMENT OF LAND IN HONG KONG**

The Board announces that Golden Arrow (an indirect wholly-owned subsidiary of the Company) has entered into the MOA in respect of the Joint Venture for the purpose of developing the Land. Under the MOA, the Company has agreed to acquire a 15% equity interest in the JV Company. The total commitment of the Company in the Joint Venture will exceed 5% but not exceed 25% of one or more of the percentage ratios under Rule 14.07 of the Listing Rules as applicable to the Company. Accordingly, the formation of the Joint Venture constitutes a Discloseable Transaction. The Company intends to dispatch a circular to the Shareholders within the time and containing such details as are required by the Listing Rules.

(I) DATE OF THE MOA: 31 MAY 2007

(II) PARTIES TO THE MOA

1. King Chance, a wholly-owned subsidiary of Sino Land.
2. Nan Fung Development, a wholly-owned subsidiary of Chen's Holdings Limited.
3. Golden Arrow, an indirect wholly-owned subsidiary of the Company.
4. Rich Honour, an indirect wholly-owned subsidiary of Chinese Estates.

To the best of the Directors' information, knowledge and belief (upon making reasonable enquiries), each of the entities in 1, 2 and 4 above in this section (II) are Independent 3rd Parties.

(III) MAJOR TERMS OF THE MOA

Purpose of the Joint Venture

The JV Company is formed for the purpose of developing the Land and management of the estate to be developed thereon. The business of the JV Company will be to invest in Union King, a newly incorporated company, the business of which will be to construct on and develop the Land.

The Land is held under the Land Grant for a term of 50 years from 8 May 2007 and shall not be used for any purpose other than non-industrial (excluding godown, hotel, or petrol filling station) purposes. The site area of the Land is (about) 8,060 square meters, and maximum gross floor area for development on the Land is 60,450 square meters, of which 52,390 square meters are for private residential and 8,060 square meters are for non-industrial (excluding private residential, godown, hotel, or petrol filling station) purposes according to the Land Grant. Union King (a wholly-owned subsidiary of the JV Company) will finalize the Land Grant (as grantee of the Land) with the Hong Kong Government after it pays in full the Land premium of HK\$4,000,000,000 on 5 June 2007. The share of Land premium is in proportion to each JV Partner's respective equity interest in the JV Company.

Ownership of Union King & the JV Company

The board of directors of the JV Company and Union King will comprise, in both cases, 8 directors, 4 of whom are nominated by King Chance, 2 by Nan Fung Development and one each by Rich Honour and Golden Arrow.

Pursuant to the terms of the MOA, the JV Company will issue 45 shares to King Chance, as well as 15 shares to Golden Arrow, 25 shares to Nan Fung Development, and 15 shares to Rich Honour, after which the shareholdings of the JV Company will be as described in (A) of this section (III). The shareholding of Union King is that as described in (B) of this section (III).

(A) THE JV COMPANY

Name of shareholder	No. of issued shares to hold	% of equity interest
1. King Chance	45	45%
2. Nan Fung Development	25	25%
3. Golden Arrow	15	15%
4. Rich Honour	<u>15</u>	<u>15%</u>
TOTAL	<u>100</u>	<u>100%</u>

(B) UNION KING

Name of shareholder	No. of issued shares held	% of equity interest
The JV Company	<u>One (HK\$1.00 each)</u>	<u>100%</u>

Executive committee

There is an executive committee under Union King which is responsible for overseeing and monitoring the development and the day-to-day administration and management of development project on the Land. The executive committee reports to the board of Union King and consists of 6 committee members. King Chance nominates three, and each of Nan Fung Development, Golden Arrow, and Rich Honour nominates one representative to the executive committee.

Financing of the JV Company & Union King

It is presently estimated that the total cost of the development will be HK\$5,000 million, of which HK\$4,000 million represents the Land premium and HK\$1,000 million represents the estimated construction cost for the development.

Golden Arrow and each of the JV Partners agree that the development of the Land will be financed through (a) bank borrowing (of which the JV Partners may be required to provide security or guarantee) and (b) shareholders' loans. All guarantees and shareholders' loans will be provided by the respective parent companies of Golden Arrow and the JV Partners (for Nan Fung Development by Nan Fung Development and Nan Fung Textiles Limited) on a several basis and in proportion to their respective equity interests in the JV Company.

On 31 May 2007, Union King has entered into a facility agreement with lenders under which a loan facility of a total amount of HK\$3,000 million has been arranged for Union King to finance 50% of the Land premium (being HK\$2,000 million) and 100% of the construction cost (presently estimated at HK\$1,000 million) in respect of the development of the Land. The drawdown of the sum of HK\$2,000 million for 50% of the Land premium will be on 5 June 2007. The loan facility was obtained after arm's length negotiation with the lenders, bearing normal commercial interest rates. As security for the loan facility to Union King, on 31 May 2007:

- (i) the Company together with Sino Land, Nan Fung Development and Nan Fung Textiles Limited (between them as one group), and Chinese Estates (collectively, the "*Covenantors*") have entered into:
 - (a) a guarantee in favor of the lenders on a several and pro rata basis in proportion to each of Golden Arrow and the relevant JV Partners' respective equity interest in the JV Company; and
 - (b) a funding agreement (together with Union King) in favor of the lenders pursuant to which (inter alia) the *Covenantors* have undertaken on a several and on the same pro rata basis to fund construction and other costs required to complete the development project, and jointly and severally to procure that Union King will complete the development project according to the construction time schedule;

- (ii) Nan Fung Development and the respective subsidiaries of the Covenantors (other than the Nan Fung group of Covenantors) have entered into a subordination agreement with the lenders pursuant to which, inter alia, all present and future indebtedness owed by Union King to these subsidiaries is subordinated to the indebtedness of Union King to the lenders under the HK\$3,000 million loan facility.

The Company (together with the other Covenantors) will fund the other 50% of the Land premium by way of shareholders' advances on a pro rata basis by reference to their respective equity interests in the JV Company to enable Union King to pay the full amount of the Land premium on 5 June 2007.

Profit Sharing

It is expected that any profit of the JV Company will be ultimately shared by the JV Partners pro rata based on their respective equity interests in the JV Company.

(IV) CONSIDERATION & COMMITMENT OF THE COMPANY UNDER THE JOINT VENTURE

Pursuant to the terms of the MOA, Golden Arrow will pay for its 15 shares (representing 15% equity interest) in the issued share capital of the JV Company. The Company will advance by way of shareholders' loan to the JV Company, on a pro rata basis by reference to its 15% equity interest, a sum of HK\$301,450,500 for the purposes of funding its portion of the 50% of the Land premium and the front end fee and agency fee in connection with the loan facility described above. The source of funding for this shareholders' advance to the JV Company will be from internal resources of the Company.

The total commitment of the Company in the Joint Venture is (on present estimation) HK\$751,450,500 (subject to such changes as the Company and the JV Partners may from time to time agree) as follows:-

- | | |
|---|-----------------|
| 1. 15% share of Land premium | HK\$600,000,000 |
| 2. 15% share of construction and development costs | HK\$150,000,000 |
| 3. 15% share of the lenders' agency and loan commitment fee | HK\$1,450,500 |

ABOUT KING CHANCE

The Company has been informed that King Chance is an investment holding company and a wholly-owned subsidiary of Sino Land, which is principally engaged in the property development and investment in Hong Kong.

ABOUT NAN FUNG DEVELOPMENT

The Company has been informed that Nan Fung Development is a wholly-owned by Chen's Holdings Limited, which is 100% beneficially owned by Mr. Chen Din Hwa. Nan Fung Development is principally engaged in the property development and investment in Hong Kong.

ABOUT RICH HONOUR

The Company has been informed that Rich Honour is an indirect wholly-owned subsidiary of Chinese Estates, which is an investment holding company. The principal subsidiaries of Chinese Estates are engaged in property investment and development, brokerage, securities investment and money lending.

ABOUT GOLDEN ARROW

Golden Arrow is an indirect wholly-owned subsidiary of the Company, which is an investment holding company. The principal subsidiaries of the Company are mainly engaged in property development and investment in Mainland China, Hong Kong and South East Asia.

REASONS FOR THE ACQUISITION AND THE FORMATION OF THE JOINT VENTURE

The Directors are optimistic about the property market in Hong Kong, especially the luxury residential sector. The Board believes that the acquisition of the interest in the Land through the Joint Venture will enhance not only the Group's asset portfolio but also strengthen the position of the Group in the luxury residential market in Hong Kong. The Directors consider that the Joint Venture is on normal commercial terms, which are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Joint Venture is in the interest of the Company and the Shareholders as a whole. The JV Company will be equity accounted for in the consolidated accounts of the Group and will be treated as jointly controlled entity in the consolidated accounts of the Group.

GENERAL

The acquisition by the Company of a 15% interest in the JV Company and its financing commitment exceed 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), and as such, it constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular on the Joint Venture in accordance with the requirements of the Listing Rules will be dispatched to the Shareholders as soon as practicable.

The MOA is binding on Golden Arrow, the JV Company, and the JV Partners and will in due course be replaced by a shareholders agreement among the same parties, whereupon the MOA will terminate.

In the event that there is a material change to the terms of the MOA as described in this announcement, the Company will issue further announcement or supplemental circular (as the case may require). If there is any increase in the total capital commitment of the Company in the Joint Venture that will put the applicable percentage ratios to beyond 25%, the Company will comply with the relevant requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement:

<i>“associates”</i>	has the meanings ascribed thereto in the Listing Rules.
<i>“Board”</i>	refers to the board of Directors.
<i>“Company”</i>	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.
<i>“Chinese Estates”</i>	Chinese Estates Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 127).
<i>“Director(s)”</i>	refers to the director(s) of the Company.
<i>“Golden Arrow”</i>	Golden Arrow Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company.
<i>“Group”</i>	collectively refers to the Company and its subsidiaries.
<i>“Hong Kong” and “HK\$”</i>	respectively, the Hong Kong Special Administrative Region of The People’s Republic of China and Hong Kong dollar (the lawfully currency of Hong Kong).
<i>“Independent 3rd Party”</i>	a 3rd party independent of the Company and connected persons of the Company (being a Director, chief executive, or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them).
<i>“Joint Venture”</i>	refers to the joint venture of the Company and the JV Partners formed for development of the Land through the JV Company and Union King on the terms of the MOA.
<i>“JV Company”</i>	Nimble Limited, a company incorporated in the British Virgin Islands with registered office at Pasea Estate, Road Town, Tortola, British Virgin Islands, formed pursuant to the terms of the MOA for the purpose of the Joint Venture.
<i>“JV Partners”</i>	collectively refers to Nan Fung Development, King Chance and Rich Honour, and <i>“JV Partner”</i> is any one of them.
<i>“King Chance”</i>	King Chance Development Limited, a company incorporated in Hong Kong that is beneficially owned by Sino Land and is an Independent 3rd Party.

<i>“Land”</i>	that piece of land registered in The Land Registry as Kowloon Inland Lot No.11073 at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road, West Kowloon Reclamation Area, Kowloon, Hong Kong as described in the Land Grant.
<i>“Land Grant”</i>	the Agreement and Conditions of Sale in respect of the Land to be entered into by Union King with the Hong Kong Government.
<i>“Listing Rules”</i>	the Rules Governing the Listing of Securities on the Stock Exchange.
<i>“MOA”</i>	a Memorandum of Agreement dated 31 May 2007 among Golden Arrow, the JV Company, and the JV Partners for the formation of the Joint Venture.
<i>“Nan Fung Development”</i>	Nan Fung Development Limited, a company incorporated in Hong Kong that is beneficially owned by Mr. Chen Din Hwa and is an Independent 3rd Party.
<i>“Rich Honour”</i>	Rich Honour Limited, a limited company established in Hong Kong and an indirect wholly-owned subsidiary of Chinese Estates and is an Independent 3rd Party.
<i>“Shareholder(s)”</i>	refers to the shareholder(s) of the Company.
<i>“Sino Land”</i>	Sino Land Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 83).
<i>“Stock Exchange”</i>	The Stock Exchange of Hong Kong Limited.
<i>“US\$”</i>	US Dollar, the lawfully currency of the United States of America.
<i>“Union King”</i>	Union King (Hong Kong) Limited, a company incorporated in Hong Kong with its registered office presently at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.
<i>“%”</i>	percentage.

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

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

Hong Kong, 31 May 2007

Please also refer to the published version of this announcement in The Standard.