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 2010

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 2010 as follows:

- Revenue was HK$896 million (2009: HK$2,627 million)
- Profit for the year was HK$241 million (2009: HK$1,282 million)
- Profit attributable to equity holders was HK$193 million (2009: HK$919 million)
- Total comprehensive income attributable to equity holders was HK$1,385 million (2009: HK$1,244 million)
- Earnings per share was 7.58 HK cents (2009: 37.20 HK cents)
- Maintain good asset portfolio despite tough market measures
- All projects are in satisfactory progress

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 20 June 2011 ("***2011 AGM***") a final cash dividend for the year ended 31 December 2010 of 1 HK cent per share, totaling HK$25,512,000, payable on 22 July 2011 to the shareholders whose names appear on the registers of members of the Company at the close of business on 20 June 2011 (2009: a final scrip dividend (with a cash option) of 10 HK cents per share totaling HK$247,914,000). Together with the interim cash dividend of 1 HK cent per share (2009: interim cash dividend of 1 HK cent per share), total dividends per share for the year ended 31 December 2010 is 2 HK cents (2009 total: 11 HK cents).

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2010

	Note	**2010** *HK$'000*	(Restated) 2009 *HK$'000*
Continuing operations			
Revenue	3	**896,056**	2,627,182
Cost of sales		**(244,548)**	(1,102,687)
Gross profit		**651,508**	1,524,495
Other operating income		**49,742**	41,308
Other net gains		**20,370**	97,654
Other operating expenses		**(104,290)**	(31,755)
Administrative expenses		**(288,367)**	(199,739)
Change in fair value of investment properties		**90,521**	608,646
Finance cost	4	**(19,064)**	(33,398)
Share of profits of jointly controlled entities		**41,349**	40,798
Share of losses of associated companies		**(55)**	(57)
Profit before taxation	5	**441,714**	2,047,952
Taxation charge	6	**(194,362)**	(768,465)
		247,352	1,279,487
Discontinued operation			
(Loss)/profit from discontinued operation	5,7	**(6,621)**	2,905
Profit for the year		**240,731**	1,282,392
Attributable to:			
Equity holders of the Company		**193,139**	918,873
Non-controlling interests		**47,592**	363,519
		240,731	1,282,392
		HK cents	*HK cents*
Earnings per share from continuing operations	8		
Basic		**7.76**	37.11
Diluted		**7.72**	37.10
(Loss)/earnings per share from discontinued operation			
Basic		**(0.18)**	0.09
Diluted		**(0.18)**	0.09
Earnings per share from operations			
Basic		**7.58**	37.20
Diluted		**7.54**	37.19
		HK$'000	*HK$'000*
Dividends	9		
Interim paid		**25,506**	24,704
Proposed final		**25,512**	247,914
		51,018	272,618

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	(Restated) 2009
	HK$'000	*HK$'000*
Profit for the year	**240,731**	1,282,392
Other comprehensive income:		
Change in fair value of non-current investments	**908,286**	346,091
Change in fair value of land and buildings transferred to investment properties	**4,132**	-
Exchange differences	**310,081**	(18,469)
Other comprehensive income for the year, net of tax	**1,222,499**	327,622
Total comprehensive income for the year	**1,463,230**	1,610,014
Total comprehensive income attributable to		
Equity holders of the Company	**1,385,299**	1,244,095
Non-controlling interests	**77,931**	365,919
	1,463,230	1,610,014

CONSOLIDATED BALANCE SHEET
As at 31 December 2010

	Note	31 December 2010 HK$'000	(Restated) 31 December 2009 HK$'000	(Restated) 1 January 2009 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment		**492,383**	273,057	111,947
Investment properties		**4,565,479**	4,364,555	3,746,543
Leasehold land and land use rights		**16,288**	12,619	12,623
Jointly controlled entities		**2,608,155**	2,391,362	2,282,665
Associated companies		**1,193,796**	739,898	714,198
Non-current investments		**1,426,610**	518,324	172,233
Deferred taxation assets		**35,149**	24,320	-
Other non-current assets		**99,176**	100,112	4,858
		10,437,036	8,424,247	7,045,067
Current assets				
Development properties		**9,460,026**	7,106,032	5,682,099
Debtors and prepayments	10	**124,623**	298,423	939,375
Amounts due from jointly controlled entities		**-**	59,540	-
Tax recoverable		**1,631**	3,931	5,756
Structured bank deposits		**155,130**	499,796	-
Cash and bank balances		**3,079,871**	1,773,837	1,291,179
		12,821,281	9,741,559	7,918,409
Total assets		**23,258,317**	18,165,806	14,963,476
EQUITY				
Share capital		**255,082**	247,038	247,038
Reserves		**9,953,423**	8,707,479	7,506,183
Shareholders' funds		**10,208,505**	8,954,517	7,753,221
Non-controlling interests		**896,919**	1,492,701	1,198,556
Total equity		**11,105,424**	10,447,218	8,951,777
LIABILITIES				
Non-current liabilities				
Borrowings		**5,661,799**	4,427,579	2,325,615
Deferred taxation liabilities		**808,206**	738,175	561,366
		6,470,005	5,165,754	2,886,981
Current liabilities				
Amounts due to jointly controlled entities		**67,218**	66,780	56,313
Creditors and accruals	11	**1,521,794**	703,502	562,862
Current portion of borrowings		**3,417,200**	1,207,899	2,418,072
Tax payable		**676,676**	574,653	87,471
		5,682,888	2,552,834	3,124,718
Total liabilities		**12,152,893**	7,718,588	6,011,699
Total equity and liabilities		**23,258,317**	18,165,806	14,963,476
Net current assets		**7,138,393**	7,188,725	4,793,691
Total assets less current liabilities		**17,575,429**	15,612,972	11,838,758

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 2009 except as stated below.

The adoption of revised HKFRSs

In 2010, the Group adopted the revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

HKICPA's annual improvements to certain HKFRSs published in May 2009

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Share-based Payments
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
HKFRS 8 (Amendment)	Operating Segments

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations 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 consolidated financial statements except for HKAS 17 (Amendment), HKFRS 3 (Revised) and HKAS 27 (Revised).

HKAS 17 (Amendment), "Leases" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

1. Basis of preparation (Cont'd)

The effect of the adoption of this amendment is as below:

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Decrease in leasehold land and land use rights	(51,944)	(53,414)	(54,116)
Increase in property, plant an equipment	51,944	53,414	54,116

The change in accounting policy has no material impact to the consolidated statement of comprehensive income of the Group for the comparative periods.

HKFRS 3 (Revised) and HKAS 27 (Revised) require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit and loss statement.

The adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) have resulted in a difference between the consideration paid and the relevant share of the carrying net asset value acquired from the non-controlling interests of HK$35,236,000 which is now recorded in equity.

In November 2010, the HKICPA issued HK-Int 5 which is effective immediately and is a clarification of an existing standard, HKAS 1 (Revised) "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with HKAS 1 (Revised) irrespective of the probability that the lender will invoke the clause without cause.

The adoption of HK-Int 5 does not have any significant effect on the results and financial position of the Group.

Early adoption of amendment to HKFRSs

In December 2010, the HKICPA amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively for annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has early adopted this amendment retrospectively for the financial year ended 31 December 2010 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values amounting to HK$4,364,555,000 (2009: HK$3,746,543,000) as of 1 January 2010. As required by the amendment, the Group has re-measured the deferred tax relating to these investment properties according to the tax consequence on the presumption that they are recovered entirely by sale, or rebutting this presumption, where appropriate. The comparative figures for 2009 have been restated to reflect the change in accounting policy, as summarised below.

1. **Basis of preparation (Cont'd)**

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Decrease in deferred taxation liabilities	(60,805)	(50,002)	(47,522)
Increase in profit for the period	10,803	2,480	-
Increase in revenue reserve	50,002	47,522	47,522

Standards, interpretations and amendments to HKFRSs that are not yet effective

The following new/revised standards, amendments and interpretations are effective for the accounting periods of the Group beginning on or after 1 January 2011 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 consolidated financial statements will result.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Parties Disclosures	1 January 2011
HKAS 32 (Amendment)	Financial Instruments: Presentation	1 February 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

HKICPA's annual improvements to certain HKFRSs published in May 2010

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2011
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2010
HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2011
HKFRS 3 (Revised)	Business Combinations	1 July 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011

2. **Segment information**

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. 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 and property investment. 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 and 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, leasehold land and land use rights, deferred taxation assets, 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)

	Continuing operations: Property development – Hong Kong	Property development – Mainland China	Property development – Others	Property investment	Others	Total	Discontinued operation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010							
Revenue	**279,416**	**351,695**	**-**	**264,945**	**-**	**896,056**	**43,960**
Adjusted EBITDA	**153,666**	**168,031**	**(1,607)**	**226,805**	**(175,048)**	**371,847**	**(7,486)**
Other income and expenses/gains, net						**(34,178)**	**(103)**
Depreciation and amortisation						**(8,706)**	**(76)**
Change in fair value of investment properties				**90,521**		**90,521**	**-**
Finance costs						**(19,064)**	**(152)**
Share of profits of jointly controlled entities	**1,575**	**39,774**				**41,349**	**-**
Share of losses of associated companies	**(55)**					**(55)**	**-**
Profit/(loss) before taxation						**441,714**	**(7,817)**
Taxation charge						**(194,362)**	**-**
Profit/(loss) for the year/period						**247,352**	**(7,817)**
Gain on disposal							**1,196**
							(6,621)
As at 31 December 2010							
Segment assets	**1,726,852**	**10,902,290**	**72,774**	**4,811,657**	**-**	**17,513,573**	
Other assets	**-**	**-**	**-**	**-**	**1,942,793**	**1,942,793**	
Jointly controlled entities	**1,911,729**	**696,426**	**-**	**-**	**-**	**2,608,155**	
Associated companies	**1,193,796**	**-**	**-**	**-**	**-**	**1,193,796**	
Total assets	**4,832,377**	**11,598,716**	**72,774**	**4,811,657**	**1,942,793**	**23,258,317**	
Total liabilities	**2,746,973**	**7,731,998**	**26,120**	**1,599,727**	**48,075**	**12,152,893**	
Year ended 31 December 2009 (Restated)							
Revenue	162,290	2,206,030	-	258,862	-	2,627,182	110,005
Adjusted EBITDA	58,026	1,169,255	(1,433)	225,652	(120,014)	1,331,486	5,039
Other income and expenses/gains, net						107,207	78
Depreciation and amortisation						(6,730)	(248)
Change in fair value of investment properties				608,646		608,646	-
Finance costs						(33,398)	(413)
Share of profits of jointly controlled entities	159	40,639				40,798	-
Share of losses of associated companies	(57)					(57)	-
Profit before taxation						2,047,952	4,456
Taxation charge						(768,465)	(1,551)
Profit for the year						1,279,487	2,905
As at 31 December 2009							
Segment assets	1,726,077	7,977,047	60,772	4,518,487	-	14,282,383	26,566
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	725,597	18,139,240	26,566
Total liabilities	3,350,928	2,696,751	23,870	1,583,032	49,763	7,704,344	14,244

2. Segment information (Cont'd)

Geographical segment information

The Group operates in three (2009: four) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2010 and 2009 and total non-current assets as at 31 December 2010 and 2009 by geographical area are as follows:

Revenue

	2010	2009
	HK$'000	*HK$'000*
Continued operations		
Hong Kong	**302,934**	185,101
Mainland China	**574,139**	2,422,619
Singapore	**18,983**	19,462
	896,056	2,627,182
Discontinued operation		
Japan	**43,960**	110,005
	940,016	2,737,187

Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Continued operations		
Hong Kong	**5,220,720**	3,604,241
Mainland China	**5,036,504**	4,669,342
Singapore	**179,812**	150,240
	10,437,036	8,423,823
Discontinued operation		
Japan	**-**	424
	10,437,036	8,424,247

3. Revenue

	2010	2009
	HK$'000	*HK$'000*
Sale of properties	**631,111**	2,368,320
Rental income	**264,945**	258,862
	896,056	2,627,182

4. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, overdrafts and others	**186,405**	146,167
Finance cost of convertible bonds	**-**	202
Capitalised as cost of properties under development	**(167,189)**	(112,558)
	19,216	33,811

	2010	2009
Representing:		
Continuing operations	**19,064**	33,398
Discontinued operation	**152**	413
	19,216	33,811

5. Profit before taxation

	2010		(Restated) 2009	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Profit before taxation is stated after crediting:				
Interest income from banks	**25,993**	**7**	15,858	11
Interest income from mortgage loans	**437**	**-**	499	-
Net exchange gains	**20,452**	**-**	33,404	-
Write back of provision for construction costs	**10,088**	**-**	19,459	-
Write back of impairment loss on land deposits	**-**	**-**	64,008	-
and after charging :				
Cost of properties sold	**230,135**	**-**	1,047,993	-
Cost of inventories sold	**-**	**35,237**	-	93,991
Depreciation (net of capitalisation)	**8,646**	**-**	6,705	248
Amortisation for leasehold land and land use rights	**60**	**-**	25	-

6. Taxation charge

	2010	(Restated) 2009
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**5,313**	139
Mainland China		
- Income tax	**82,608**	255,947
- Land appreciation tax	**96,508**	354,899
Overseas	**1,585**	1,412
Under/(over) provision in previous years	**1,406**	(4,440)
Deferred	**6,942**	160,508
	194,362	768,465

6. **Taxation charge (Cont'd)**

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

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. **Discontinued operation**

	2010	2009
	HK$'000	*HK$'000*
Revenue	**43,960**	110,005
Cost of sale and operating expenses	**(51,777)**	(105,549)
(Loss)/profit before taxation	**(7,817)**	4,456
Taxation	-	(1,551)
(Loss)/profit for the period/year	**(7,817)**	2,905
Gain on disposal	**1,196**	**-**
(Loss)/profit from discontinued operation	**(6,621)**	2,905

The discontinued operation represented the trading of plant and machinery carried in Japan, which ceased to be a subsidiary during the year.

8. **Earnings per share**

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

	Continuing operations		**Discontinued operation**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to equity holders of the Company	**197,806**	916,694	**(4,667)**	2,179
Effect of dilutive potential ordinary shares				
Interest on convertible bonds, net of tax	**-**	169	**-**	-
Profit for calculation of diluted earnings per share	**197,806**	916,863	**(4,667)**	2,179

	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	**2,548,245,000**	2,470,383,000
Effect of dilutive potential ordinary shares		
Share options	**12,442,000**	676,000
Weighted average number of shares for calculating diluted earnings per share	**2,560,687,000**	2,471,059,000

9. Dividends

	2010 *HK$'000*	2009 *HK$'000*
Interim cash dividend of 1 HK cent (2009: 1 HK cent) per share	**25,506**	24,704
Proposed final cash dividend of 1 HK cent (2009: final scrip dividend (with a cash option) of 10 HK cents) per share	**25,512**	247,914
	51,018	272,618
The dividends have been settled by cash as follows:		
Interim	**25,506**	24,704
Final	**-**	78,594
	25,506	103,298

The Board of Directors recommended the payment of a final cash dividend in respect of 2010 of 1 HK cent (2009: final scrip dividend (with a cash options) of 10 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2011.

10. Debtors and prepayments

	2010 *HK$'000*	2009 *HK$'000*
Trade debtors, net of provision	**7,072**	12,016
Other debtors, net of provision	**52,590**	31,300
Land deposits, net of impairment	**9,706**	235,646
Prepayments and other deposits	**55,255**	19,461
	124,623	298,423

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 date of invoices and net of provision for bad and doubtful debts is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Within one month	**7,019**	9,268
Two to three months	**11**	2,738
Four to six months	**42**	10
	7,072	12,016

11. Creditors and accruals

	2010	2009
	HK$'000	*HK$'000*
Trade creditors	**340,476**	264,674
Other creditors	**44,757**	64,665
Amounts due to non-controlling interests	**124,407**	108,941
Accrued operating expenses	**52,247**	44,703
Advanced proceeds on sale of properties	**862,790**	134,201
Rental deposits received	**97,117**	86,318
	1,521,794	703,502

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

	2010	2009
	HK$'000	*HK$'000*
Within one month	**340,476**	263,071
Two to three months	**-**	1,547
Four to six months	**-**	24
Over six months	**-**	32
	340,476	264,674

12. Guarantee

As of 31 December 2010, the Group and the Company have executed the following guarantees in favour of the following parties:

	2010		2009	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
<u>Group</u>				
Banks and financial institutions in respect of loan facilities granted to:				
- jointly controlled entities	**2,521,250**	**1,621,900**	2,404,250	1,494,750
- associated companies	**1,650,000**	**1,053,900**	1,008,750	658,350
	4,171,250	**2,675,800**	3,413,000	2,153,100
<u>Company</u>				
Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	**7,093,690**	**6,414,390**	5,651,560	4,351,735
- jointly controlled entities	**2,521,250**	**1,621,900**	2,404,250	1,494,750
- associated companies	**1,650,000**	**1,053,900**	1,008,750	658,350
	11,264,940	**9,090,190**	9,064,560	6,504,835

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.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Revenue and profit for the year ended 31 December 2010 were HK$896 million and HK241 million respectively, as compared to the restated amount of HK$2,627 million and HK$1,282 million respectively of last year. The decrease was mainly because in 2010, only the sales of the remaining units of the Great Hill project and Shanghai Westwood Phase II were recognised while pre-sale results from Shanghai Westwood Phase III in the last quarter could only be recognised upon the completion of the units. During the year, the Group ceased to carry on trading of plant and machinery in Japan following the disposal of a subsidiary.

Mainland China

The Group's property development projects in Shanghai and Guangzhou are under construction or development and works are underway with plans for completion over the next few years. During the year, the Group acquired a piece of land in Shanghai Qingpu District and completed an acquisition of a company holding a 30% equity interest in our investment property, Shanghai K. Wah Centre, thereby increasing our effective interest in the property to 69.6%.

(A) Current Major Development Properties

<u>Shanghai</u>

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

Following the completion and successful marketing of Phase II of this luxurious project, three blocks of Phase III were launched in November 2010 attracting a large number of buyers. Nearly 80% of the three blocks have been pre-sold within a short period of time providing satisfactory cash inflows to the Group. Construction work for the Phase III (approximately 100,000 square metres) is in progress and the development is expected to be completed in late 2011.

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

This unique development is located in the traditionally up-scale residential area in Shanghai. The GFA of this project is approximately 140,000 square metres, in which the Group plans to develop into an integrated development with luxury residential apartments and high-class commercial facilities. Construction work is underway and is scheduled for the launch in 2011/ 2012.

(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. The residential buildings have been topped out and pre-sale of certain units is planned to be launched in 2011/ 2012.

(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. Construction work of Phase I is underway and its pre-sale is expected to be launched in 2011/2012 with targeted completion in 2012.

(v) Qingpu District Project (100% owned)

Located in the Zhujiajiao Town, Qingpu District, with a total GFA of approximately 70,000 square metres, this project is planned to develop into several blocks of low-rise residential buildings with shopping and commercial facilities. Design work has commenced.

Guangzhou

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

This site is close to the New Baiyun International Airport with a total estimated GFA of approximately 269,000 square metres following the planning changes by the government. The project is planned for a composite development with hotel, offices and premium residential towers. Completion for the hotel and offices is scheduled in 2011.

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

Owing to planning changes by the government, the project's total floor area is estimated to be approximately 830,000 square metres and development will be undertaken by phases. The development of the first phase has commenced.

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

This project, located in the downtown area of Huadu, 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 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)

This prime investment property maintains high occupancy throughout the year with satisfactory rentals. Following the completion of the acquisition in February 2010, the effective interest of the Group in the property has increased to 69.6%, thereby bringing a greater share of recurrent income to the Group.

Hong Kong

Revenue for the financial year was mainly derived from the sale of residential units of the Great Hill and the rental of the commercial complex J Senses which continues to contribute stable income to the Group. Construction of development projects is well underway in accordance with development schedules.

(A) Current development properties

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

This completed property has 114 apartments and 8 detached houses. 90% of the units have been sold. The remaining apartments and houses will be disposed of at the best opportunity.

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

This exclusive low-rise residential project with total GFA of approximately 6,340 square metres has 24 luxurious apartments, a club house and a swimming pool. The project was completed and is ready to be put on market.

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

The Group plans to develop this project 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 2014.

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

This is a luxury residential development under 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. Superstructure 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 under a joint venture with other property developers. Total GFA is estimated to be approximately 69,700 square metres. Foundation is completed and the Group expects completion by 2012.

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

This is a luxury residential development under a joint venture with other property developers. Total GFA is estimated to be approximately 66,500 square metres. Superstructure works are underway and the Group expects completion by 2012.

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

This is a luxury residential development under 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. Superstructure works have already started and the Group expects completion by 2012.

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

This is a luxury residential development under a joint venture with another property developer. Total GFA is presently estimated to be approximately 67,000 square metres. Piling work has already started.

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

This is a luxury residential development under a joint venture with another property developer. 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 shopping arcade, 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 provides 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 metres of office space, maintains a high occupancy rate and delivers 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 in GEG carried at fair market value. As at 31 December 2010, share price of GEG was HK$8.78 per share compared to HK$3.19 per share at 31 December 2009. The change in fair value of approximately HK$908 million was recorded as an increase in reserve.

OUTLOOK

The economy in 2010 generally presented a better picture than anticipated. However, looking ahead into 2011, uncertainty remains high for the global economy. Europe and the US are still working their ways out of the recent financial crisis, Japan's recent earthquake and tsunami disaster has significantly impeded the economic recovery, and the troubles in the Middle East turn increasingly violent. In addition, unemployment and inflation rates are still of growing concern for many countries.

Nevertheless, most investors still remain positive about Asia, in particular China and Hong Kong. In 2010, property prices rose over the year, mainly driven by the recovering economy and low interest rate environment.

Owing to the concern over a property bubble, the government has implemented a series of policies and measures to cool the real estate markets in China and Hong Kong. Increasing land supply and tightening of mortgage lending with higher interest rates are expected in the future. Government policy remains a key factor affecting the property market.

The Group will continue to focus on our core business of property development as well as seeking new investment opportunities in Hong Kong and China. We will also pay close attention to our competitiveness in the light of the uncertain economy and the government policy risk.

REVIEW OF FINANCE

(1) Financial Position

The financial position of the Group remained strong. Total funds employed were increased to HK$20 billion at 31 December 2010 (2009: HK$16 billion). The number of the issued shares of the Company increased as a result of the exercise of share option and scrip dividend issued 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 2010, total bank borrowings amounted to HK$9,079 million and cash and bank balances and deposits stood at HK$3,235 million. 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 29% at of 31 December 2010.

Of the long-term bank borrowings, around 68% had maturities over a period of one year and above.

(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 may be 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 2010, 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$10,621 million (2009: HK$8,267 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 31 December 2010, 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$7,094 million (2009: HK$5,652 million), HK$2,521million (2009: HK$2,404 million) and HK$1,650 million (2009: HK$1,009 million) respectively, of which HK$6,414 million (2009: HK$4,352 million), HK$1,622 million (2009: HK$1,495 million) and HK$1,054 million (2009: HK$658 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.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2010, the Group, excluding its associated companies and jointly controlled entities, employs 406 employees in Hong Kong, the Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to HK$214 million for the year under review.

The Group believes its success, long-term growth and development depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract retain and motivate competent individuals. The Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organizations in the areas in which the Group operates its principal business.

Following approval by the shareholders in 1989, the Group has put in place a share option scheme for its executives and employees for the purposes of providing competitive remuneration package as well as retaining talents in the long term. Likewise in the Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

CORPORATE GOVERNANCE

Code Provision A.2.1

During the year ended 31 December 2010, the Company has complied with all the code provisions of the Code on Corporate Governance Practices ("***CG Code***") 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***"), 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 four 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 CG 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 ended 31 December 2010 all its Directors have complied with the required standards as set out in the Model Code.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company, which comprises one Executive Director (as chairman) and two Independent Non-executive Directors, has met on 23 March 2011 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 three Independent Non-executive Directors (one of whom acts as chairman of the Committee), has met on 23 March 2011 and reviewed the Company's accounting principles and practices and discussed auditing, internal control and financial reporting matters. The Group's 2010 annual results have been reviewed by the Audit Committee of the Company.

Mr. Michael Leung resigned as a member of the Audit Committee and Professor Poon Chung Kwong has been appointed as a member of the Audit Committee, both effective on 1 March 2011.

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 securities during the year ended 31 December 2010.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 14 June 2011 to 20 June 2011, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2011 AGM and the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 June 2011.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the Company's website (www.kwih.com) and the Exchange's designated issuer website (www.hkexnews.hk). PricewaterhouseCoopers have audited the Group's annual financial statements for the year ended 31 December 2010 and their report will be included in the Company's 2010 Annual Report to the shareholders which will also be published on the respective websites of the Company and the Exchange in late April 2011.

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 Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Professor Poon Chung Kwong.

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

Hong Kong, 29 March 2011