嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 173)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 as follows:

- **Revenue of the Group was HK$3,346 million and taking account of jointly controlled entities and associated companies, total attributable revenue increased by 2.7 times to reach a historical high of HK$11,842 million.**
- **Profit attributable to equity holders increased by 2.5 times to reach an all-time high of HK$4,300 million.**
- **The Group's impressive profit growth was attributable to Hong Kong joint venture projects and Shanghai Westwood Phase III as well as the disposal of a non-core asset, Baoland.**
- **Earnings per share was up 2.4 times to 163.35 HK cents, and the full year dividend per share (including final dividend per share of 10 HK cents) increased 50% to 15 HK cents.**
- **Shareholders' funds increased by 52% to HK$19.4 billion, driven by the record profit of the year and increase in the value of the Group's holding in GEG.**
- **In addition to its record results, the Group has enhanced its funding capability and sources by successfully issuing a US$200 million five-year note and securing a HK$2.8 billion syndicated loan.**
- **As of 31 December 2012, cash and bank deposits amounted to HK$7,239 million and net debt as a percentage of total equity was 21%.**
- **Having successfully acquired interests in five new sites in 2012, the Group will continue to capitalize on market opportunities and its strong funding capability to enhance its landbank on a disciplined basis.**

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	3	**3,346,477**	3,196,361
Cost of sales		**(1,212,776)**	(1,026,718)
Gross profit		**2,133,701**	2,169,643
Other operating income		**150,021**	105,466
Other net gains		**539,569**	175,688
Other operating expenses		**(207,239)**	(215,140)
Administrative expenses		**(449,057)**	(342,834)
Change in fair value of investment properties		**187,426**	21,512
Finance costs	4	**(49,120)**	(38,384)
Share of profits/(losses) of jointly controlled entities		**2,102,516**	(38,897)
Share of profits/(losses) of associated companies		**697,604**	(11,328)
Profit before taxation	5	**5,105,421**	1,825,726
Taxation charge	6	**(733,130)**	(543,289)
Profit for the year		**4,372,291**	1,282,437
Attributable to:			
Equity holders of the Company		**4,300,179**	1,243,514
Non-controlling interests		**72,112**	38,923
		4,372,291	1,282,437

	Note	*HK cents*	*HK cents*
Earnings per share	7		
Basic		**163.35**	48.27
Diluted		**162.49**	48.10

	Note	*HK$'000*	*HK$'000*
Dividends	8		
Interim paid		**130,605**	51,064
Proposed final		**263,824**	206,152
		394,429	257,216

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**4,372,291**	1,282,437
Other comprehensive income:		
Change in fair value of non-current investments	**2,612,744**	883,913
Change in fair value of land and buildings transferred to investment properties	**1,045**	-
Exchange differences	**4,402**	502,299
Other comprehensive income for the year	**2,618,191**	1,386,212
Total comprehensive income for the year	**6,990,482**	2,668,649
Total comprehensive income attributable to		
Equity holders of the Company	**6,918,557**	2,573,302
Non-controlling interests	**71,925**	95,347
	6,990,482	2,668,649

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**616,814**	605,121
Investment properties		**4,890,916**	4,555,685
Leasehold land and land use rights		**16,608**	16,479
Jointly controlled entities		**2,210,906**	2,658,402
Associated companies		**2,065,477**	1,327,832
Non-current investments		**4,923,267**	2,310,523
Deferred taxation assets		**55,301**	40,848
Other non-current assets		**1,568**	106,781
		14,780,857	11,621,671
Current assets			
Development properties		**13,894,002**	11,146,166
Inventories		**4,691**	9,557
Amounts due from a jointly controlled entity		**853,182**	-
Amounts due from an associated company		**560,107**	-
Debtors and prepayments	9	**867,985**	213,281
Tax recoverable		**66,021**	9,750
Structured bank deposits		**1,531,632**	968,299
Cash and bank balances		**5,707,248**	3,594,592
		23,484,868	15,941,645
Total assets		**38,265,725**	27,563,316
EQUITY			
Share capital		**263,379**	257,690
Reserves		**19,093,656**	12,491,475
Shareholders' funds		**19,357,035**	12,749,165
Non-controlling interests		**1,052,460**	996,486
Total equity		**20,409,495**	13,745,651
LIABILITIES			
Non-current liabilities			
Borrowings		**6,712,105**	5,448,377
Guaranteed notes		**1,700,658**	-
Derivative financial instruments		**7,412**	-
Deferred taxation liabilities		**1,135,848**	912,207
		9,556,023	6,360,584
Current liabilities			
Amounts due to jointly controlled entities		**1,559,370**	67,148
Amounts due to an associated company		**104,935**	-
Creditors and accruals	10	**2,987,991**	3,363,680
Current portion of borrowings		**3,061,174**	3,111,313
Tax payable		**586,737**	914,940
		8,300,207	7,457,081
Total liabilities		**17,856,230**	13,817,665
Total equity and liabilities		**38,265,725**	27,563,316
Net current assets		**15,184,661**	8,484,564
Total assets less current liabilities		**29,965,518**	20,106,235

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 2011 except as stated below.

The adoption of revised HKFRSs

In 2012, the Group adopted the revised amendment of HKFRS below, which is relevant to its operations.

HKFRS 7 (Amendment)	Financial Instruments: Disclosures -Transfer of Financial Assets

The Group has assessed the impact of the adoption of this amendment 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.

		Effective for accounting periods beginning on or after
Standards and amendments to existing standards that are not yet effective		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HKICPA's annual improvements to certain HKFRSs published in June 2012		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2013
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation	1 January 2013
HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2013

The Group is not yet in a position to state whether the adoption of the above new standards and amendments will result in substantial changes to the Group's accounting policies and presentation of the consolidated financial statements.

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 net gains/losses, gain on disposal of a jointly controlled entity 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, hotel operation and administrative function.

Segment assets primarily consist of property, plant and equipment, leasehold land and land use right, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, tax recoverable, cash and bank deposits and other assets mainly include non-current investments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to jointly controlled entities and an associated company, borrowings, guaranteed notes, derivative financial instruments, current and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong	**Mainland China**	**Others**			
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2012						
Revenue	**450,777**	**2,512,665**	**22,637**	**279,463**	**80,935**	**3,346,477**
Adjusted EBITDA	**243,703**	**1,448,346**	**9,995**	**239,844**	**(214,258)**	**1,727,630**
Other income and expenses/gains, net						**(10,689)**
Depreciation and amortisation						**(42,986)**
Gain on disposal of a jointly controlled entity		**493,040**				**493,040**
Change in fair value of investment properties				**187,426**		**187,426**
Finance costs						**(49,120)**
Share of profits/(losses) of jointly controlled entities	**2,105,459**	**(2,943)**				**2,102,516**
Share of profits of associated companies	**697,604**					**697,604**
Profit before taxation						**5,105,421**
Taxation charge						**(733,130)**
Profit for the year						**4,372,291**
As at 31 December 2012						
Segment assets	**5,255,893**	**16,608,805**	**142,700**	**5,027,852**	**-**	**27,035,250**
Other assets	**-**	**-**	**-**	**-**	**5,540,803**	**5,540,803**
Jointly controlled entities	**3,060,590**	**3,498**	**-**	**-**	**-**	**3,064,088**
Associated companies	**2,625,584**	**-**	**-**	**-**	**-**	**2,625,584**
Total assets	**10,942,067**	**16,612,303**	**142,700**	**5,027,852**	**5,540,803**	**38,265,725**
Total liabilities	**5,191,877**	**10,738,220**	**191,026**	**1,424,596**	**310,511**	**17,856,230**
Year ended 31 December 2011						
Revenue	1,150,310	1,728,591	29,308	266,439	21,713	3,196,361
Adjusted EBITDA	696,849	1,098,453	15,372	231,749	(189,778)	1,852,645
Other income and expenses/gains, net						(99,022)
Depreciation and amortisation						(25,836)
Gain on disposal of an investment property				165,036		165,036
Change in fair value of investment properties				21,512		21,512
Finance costs						(38,384)
Share of losses of jointly controlled entities	(26,331)	(12,566)				(38,897)
Share of losses of associated companies	(11,328)					(11,328)
Profit before taxation						1,825,726
Taxation charge						(543,289)
Profit for the year						1,282,437
As at 31 December 2011						
Segment assets	1,295,277	14,464,310	128,253	4,772,922	-	20,660,762
Other assets	-	-	-	-	2,916,320	2,916,320
Jointly controlled entities	1,940,158	718,244	-	-	-	2,658,402
Associated companies	1,327,832	-	-	-	-	1,327,832
Total assets	4,563,267	15,182,554	128,253	4,772,922	2,916,320	27,563,316
Total liabilities	2,730,755	9,180,160	24,036	1,569,367	313,347	13,817,665

2. **Segment information (Cont'd)**

Geographical segment information

The Group operates in three (2011: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2012 and 2011 and total non-current assets (other than non-current investments, deferred taxation assets and other non-current assets) as at 31 December 2012 and 2011 by geographical area are as follows:

Revenue

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**464,673**	1,169,798
Mainland China	**2,840,714**	1,978,756
Singapore	**41,090**	47,807
	3,346,477	3,196,361

Non-current assets

(other than non-current investments, deferred taxation assets and other non-current assets)

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**4,779,368**	3,729,771
Mainland China	**4,807,245**	5,247,389
Singapore	**214,108**	186,359
	9,800,721	9,163,519

3. **Revenue**

	2012	2011
	HK$'000	*HK$'000*
Sale of properties	**2,986,079**	2,908,209
Rental income	**279,463**	266,439
Hotel operations	**80,935**	21,713
	3,346,477	3,196,361

4. **Finance costs**

	2012	2011
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, overdrafts and others	**419,486**	252,219
Capitalised as cost of properties under development	**(370,366)**	(213,835)
	49,120	38,384

5. Profit before taxation

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**113,280**	66,262
Interest income from mortgage loans	**222**	278
Net exchange gains	**-**	10,705
Gain on disposal of an investment property	**-**	165,036
Gain on disposal of a jointly controlled entity	**493,040**	-
Gain on transfer of development properties to investment properties	**60,713**	-
and after charging :		
Cost of properties sold	**1,145,555**	989,721
Cost of inventories consumed/sold	**15,951**	2,594
Selling and marketing expenses	**159,217**	180,362
Depreciation (net of capitalisation)	**42,181**	24,524
Amortisation for leasehold land and land use rights	**805**	1,312
Fair value losses on derivative financial instruments	**7,416**	-
Net exchange losses	**6,720**	-

6. Taxation charge

	2012	2011
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**10,177**	53,828
Mainland China		
- Income tax	**427,435**	266,090
- Land appreciation tax	**228,535**	361,454
Overseas	**2,991**	3,473
Over-provision in previous years	**(146,157)**	(203,639)
Deferred	**210,149**	62,083
	733,130	543,289

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 normally provided at statutory 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.

The over-provision of current taxation included a reversal of provision for the PRC tax of approximately HK$148 million (2011: HK$203 million) upon receipt of a tax clearance for a property project in Mainland China.

There is no income tax provided on other comprehensive income.

7. Earnings per share

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

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**4,300,179**	1,243,514

	Number of shares	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	**2,632,529,000**	2,576,093,000
Effect of dilutive potential ordinary shares		
Share options	**13,822,000**	9,237,000
Weighted average number of shares for calculating diluted earnings per share	**2,646,351,000**	2,585,330,000

8. Dividends

	2012	2011
	HK$'000	*HK$'000*
Interim scrip dividend (with a cash option) of 5 HK cents (2011: interim scrip dividend (with a cash option) of 2 HK cents) per share	**130,605**	51,064
Proposed final scrip dividend (with a cash option) of 10 HK cents (2011: final scrip dividend (with a cash option) of 8 HK cents) per share	**263,824**	206,152
	394,429	257,216
The dividends have been settled by cash as follows:		
Interim	**61,279**	11,133
Final	**-**	104,492
	61,279	115,625

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2012 of 10 HK cents (2011: final scrip dividend (with a cash option) of 8 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2013.

9. Debtors and prepayment

	2012	2011
	HK$'000	*HK$'000*
Trade debtors, net of provision	**31,239**	2,850
Other debtors, net of provision	**174,863**	54,836
Amounts due from non-controlling interests	**14,638**	7,117
Land deposits	**398,152**	9,706
Prepayments and other deposits	**249,093**	138,772
	867,985	213,281

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Rental from tenants is due and payable in advance.

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:

	2012	2011
	HK$'000	*HK$'000*
Within one month	**27,906**	2,057
Two to three months	**59**	748
Four to six months	**-**	2
Over six months	**3,274**	43
	31,239	2,850

10. Creditors and accruals

	2012	2011
	HK$'000	*HK$'000*
Trade creditors	**709,945**	877,402
Other creditors	**25,324**	60,080
Amounts due to non-controlling interests	**123,635**	69,220
Accrued operating expenses	**52,323**	46,082
Advanced proceeds on sale of properties	**1,986,077**	2,220,919
Rental deposits received	**90,687**	89,977
	2,987,991	3,363,680

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

	2012	2011
	HK$'000	*HK$'000*
Within one month	**708,273**	807,293
Two to three months	**-**	3,032
Over six months	**1,672**	67,077
	709,945	877,402

11. Guarantee

As of 31 December 2012, the Group and the Company have executed the following guarantees in favour of the following parties:

	2012		2011	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Group				
Banks and financial institutions in respect of loan facilities granted to:				
- jointly controlled entities	**117,000**	**117,000**	2,521,250	1,859,650
- associated companies	**641,250**	**393,900**	1,650,000	1,053,900
- properties buyers	**154,201**	**154,201**	26,150	26,150
	912,451	**665,101**	4,197,400	2,939,700
Company				
Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	**9,825,443**	**6,285,443**	8,304,181	6,134,181
- jointly controlled entities	**117,000**	**117,000**	2,521,250	1,859,650
- associated companies	**641,250**	**393,900**	1,650,000	1,053,900
	10,583,693	**6,796,343**	12,475,431	9,047,731

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.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the Company, the year 2012 was one of unprecedented growth during which the financial results of the Group reached a new historical high. The revenue of the Group for 2012 was HK$3,346 million, which was mainly derived from the property sales of Westwood Phase III in Shanghai, Chantilly in Hong Kong and Le Palais in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group ("**Attributable Revenue**"), comprising the revenue of the Group, revenue contributions from jointly controlled entities amounting to HK$6,281 million and from associated companies amounting to HK$2,215 million, increased by 2.7 times to a record high of HK$11,842 million in 2012. The increase was mainly attributable to our joint venture projects in Hong Kong, namely, Marinella, The Coronation, Providence Bay and Providence Peak.

Attributable Contracted Sales of the Group (being contracted sales of the Group and contributions from jointly controlled entities and associated companies) in 2012 amounted to approximately HK$7,500 million, mainly attributable to our joint venture projects in Hong Kong and The Palace, Westwood Phases II and III as well as Upstream Park in Shanghai. Of the contracted sales during the year, approximately HK$5,200 million has been recognised in the accounts of the Group in 2012.

Profit attributable to equity holders of the Company for the year ended 31 December 2012 increased by 2.5 times to a record high of HK$4,300 million as compared with the previous year. Underlying profit of the Group in 2012 was HK$4,127 million, an increase of 2.4 times as compared with the previous year. The profit recognised was mainly derived from various joint venture projects in Hong Kong, Westwood Phase III and a gain on the disposal of a non-core asset (Shanghai Baoland).

Total comprehensive income attributable to equity holders of the Company increased by 169% to HK$6,919 million for the year ended 31 December 2012, as compared with the previous year. The substantial increase in total comprehensive income was primarily due to the increase in fair value of HK$2,613 million on non-current investments of an approximately 3.9% interest in Galaxy Entertainment Group Limited, in addition to the increase in profit attributable to equity holders.

Hong Kong

During the year, occupation permits for our four joint venture projects, namely, Marinella, The Coronation, Providence Bay and Providence Peak, were obtained with excellent profits recognised from the sale of units. In the retail sector, the leasing market remained strong, and the Group achieved satisfactory occupancy and rental rates from its investment properties.

For its project pipeline, the Group invested over HK$3 billion in three new residential projects in Hong Kong during the second half of 2012. These projects are planned for completion within the next three to five years.

(A) Current Major Development Properties

(i) Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

This exclusive low-rise residential project with a total GFA of approximately 8,100 square metres has 24 luxury apartments in 12 storeys, an exclusive club-house and a swimming pool. The project has now been completed and over 20% of the residential units have been sold.

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

The Group plans to develop this project into a premium residential development comprising small-to medium-sized units with a total GFA of approximately 3,200 square metres. Foundation work has been completed with a targeted completion in 2014.

(iii) Marinella, Aberdeen, Hong Kong (35% owned)

Marinella is a luxury residential development under a joint venture with other property developers. The Group is the lead partner and project manager in this development. Total GFA is approximately 69,300 square metres comprising 411 units. The certificate of compliance was obtained in November 2012, and over 90% of the residential units have been sold.

(iv) Providence Bay, Tai Po (15% owned)

This is a luxury residential development under a joint venture with other property developers. Total GFA is approximately 78,400 square metres. The occupation permit was obtained in September 2012, and over 50% of the residential units have been sold.

(v) The Coronation, West Kowloon (15% owned)

A joint venture with other developers, this luxury residential development covers a total GFA of approximately 70,000 square metres, of which approximately 8,000 square metres will be for retail and shop use. The certificate of compliance was obtained in December 2012, and almost all the residential units have been sold.

(vi) Providence Peak, Tai Po (25% owned)

This is a luxury residential development under a joint venture with other developers. Total GFA is approximately 83,600 square metres. The occupation permit was obtained in December 2012, and around 70% of the residential units have been sold.

(vii) Tai Po Town Lot 201, Tai Po (15% owned)

Covering a total GFA of approximately 67,000 square metres, this luxury residential development is under a joint venture with another developer. Superstructure work is in progress with an expected completion date by 2014.

(viii) Tseung Kwan O Town Lot No.115, Area 66D1 (100% owned)

The Group acquired the site in August 2012 for residential development. Covering a total GFA of approximately 28,000 square metres, the project will soon begin foundation work. Completion of the project is expected by 2016.

(ix) Tseung Kwan O Town Lot No.117, Area 66C2 (40% owned)

In September 2012, the Group joined with another developer to acquire this site for residential development. Total GFA is approximately 45,000 square metres. Foundation work will soon commence, and the project is expected to be completed by 2017.

(x) Yuen Long Town Lot No.513 (60% owned)

In October 2012, the Group joined with another developer and acquired this site for residential development. Total GFA is approximately 49,000 square metres. Site investigation and formation works will soon commence, and the project is expected to be completed by 2018.

(xi) 30 Po Shan Road, Mid-Levels, Hong Kong (50% owned)

This is a luxury residential development under a joint venture with another property developer. Total GFA is approximately 3,700 square metres, and planning and design work is in progress.

(B) Other properties in Hong Kong

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 a GFA of approximately 3,400 square metres. It is almost fully occupied and continues to deliver stable rental income for the Group.

Mainland China

The Group has established a key presence in the Pearl River Delta and Yangtze River Delta regions of Mainland China. Its property development projects are mainly located in prime areas of first-tier cities such as Shanghai and Guangzhou.

During the year, the Group successfully acquired two sites: one in Puxing of Pudong District in Shanghai and the other in Shilong Town of Xihu District in Dongguan for a total sum of around HK$1.6 billion. These projects are due for completion within the next three to four years.

(A) Current Major Development Properties

<u>Shanghai</u>

(i) The Legend, Guangzhong Road, Da Ning International Community (100% owned)

The Legend is the third phase of our large-scale residential project, Shanghai Westwood. It comprises five residential buildings covering approximately 106,000 square metres GFA. The development of four blocks was completed and handed over to buyers in 2012. The last block was completed in early 2013 and the units are being handed over to buyers. Almost all of the residential units have been sold.

(ii) The Palace, Jianguoxi Road, Xuhui District (100% owned)

This unique development is located in a traditional affluent residential area of Shanghai. The GFA of this project is approximately 140,000 square metres, featuring 13 blocks of luxury residential buildings and upscale commercial facilities. Pre-sales of Phase I of the project covering approximately 36,000 square metres GFA commenced in late 2011 and received positive comments in regard to its quality and location. Over 60% of the units in Phase I have been sold. Construction of Phase I was completed and the units are being handover to buyers.

(iii) Grand Summit, Urumqi Road, Jingan District (99% owned)

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this luxury residential project has a GFA of approximately 100,000 square metres. The residential buildings have been topped out, and pre-sales are planned for the end of 2013 or early 2014.

(iv) Upstream Park, Minhang District (100% owned)

Located on Wujing, Minhang District, this project is being developed into an integrated residential and commercial complex with a total GFA of approximately 172,000 square metres. Construction is underway with a targeted completion of late 2013. Pre-sales of the project started in July 2012 in phases. Over 75% of the units launched (approximately 73,000 square metres GFA) have been sold.

(v) Qingpu District Project (100% owned)

Comprising low-rise residential buildings with ancillary shopping facilities in a popular tourist area, this project is located in Zhujiajiao Town, Qingpu District, with a total GFA of approximately 69,000 square metres. Construction of this project has already commenced with a targeted completion date of 2014.

(vi) Lot 19-04, Puxing, Pudong District (100% owned)

This newly-acquired site is located in Puxing of Pudong District, with a total GFA of approximately 31,000 square metres. It is within a well-developed residential area with good transportation links to the Pudong CBD. The project is in the planning and design stage and expected to reach completion in the next three to four years.

<u>Guangzhou and Dongguan</u>

(vii) Huadu Jiahua Plaza, Yingbin Road, Huadu District (100% owned)

This site is close to the New Baiyun International Airport and has a total GFA of approximately 269,000 square metres. The project is a composite development with hotel, offices and premium residential towers. The first phase, including a hotel and an office tower, has been completed. Construction of the second phase residential development has commenced and is targeted for completion in 2015, while the final phase is currently under planning.

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

Located in the downtown area of Huadu, this residential development covers a total GFA of approximately 46,000 square metres and is about a 20-minute drive from the New Baiyun International Airport. The project was completed in 2012, and over half of the residential units have been sold.

(ix) Xinhuazhen, Huadu District (99.99% owned)

The total GFA of Xinhuazhen is approximately 828,000 square metres, with development to be undertaken in phases. The first phase comprises approximately 80,000 square metres. Following the launch of approximately 27,000 square metres in January 2013, the project received a favorable response in the market. Construction of the first phase is underway with a targeted completion of 2014. Other phases are in the planning and design stages.

(x) Shilong Town Lot 11, Xihu District, Shilong Town, Dongguan (99% owned)

This newly acquired site is located in the Xihu District of Shilong Town with a total GFA of approximately 202,000 square metres and an expansive river frontage. It is within walking distance of the new Dongguan station due to open before the end of 2013. The project is in the planning and design stage for residential development, with completion targeted over the next three to four years.

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

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

This prime investment property continued to maintain a high occupancy rate throughout the year, achieving satisfactory rental income.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

San Centre is a 12-storey office building, in which the Group owns a total GFA of approximately 5,800 square metres. During the year, it maintained a satisfactory occupancy rate and delivered stable rental income.

Investment in Galaxy Entertainment Group Limited ("GEG")

The Group maintains a non-current investment of 162 million shares or an approximately 3.9% interest of GEG carried at fair market value. As of 31 December 2012, the share price of GEG was HK$30.30 compared with HK$14.22 as of 31 December 2011. The increase in fair value of approximately HK$2,613 million was directly recorded as an increase in reserve. This investment has materially increased the net asset position of the Group.

OUTLOOK

2013 is likely to prove to be a challenging year for the global economy. Amongst the very few bright spots is the slow recovery of the US economy, together with the resolution of the fiscal cliff and tackling of the debt ceiling. Europe is largely in recession, and the lengthy process for the resolution of the debt crisis is still underway, causing continuing uncertainty.

The Asian economies are expected to maintain growth, despite the global economic slowdown. In Mainland China, GDP is projected to grow at 7.5% in 2013 on the back of fixed asset investment and domestic consumption. Hong Kong is anticipated to sustain modest growth as a result of stable labour market conditions and local consumption.

The property market in Hong Kong saw a strong price rise of around 20% in the residential sector in 2012. In response, the Hong Kong Government announced three rounds of tightening measures in the space of five months since October 2012. The central government in the Mainland has also been resolute in its determination to rein in property price rises by issuing various warnings and directives to local governments, the latest being the "Five Points Policy" issued right before the commencement of the National People's Congress.

With strong fundamentals in both Hong Kong and the Mainland, the residential property market is now much more influenced by government policy initiatives. The outlook for 2013 is that property prices are likely to be stable or even subdued, although transaction volume may be affected materially by the various policy measures.

The Group is planning to launch the Grampian Road project in Hong Kong this year. This premium residential project comprises small- to medium-sized units. Sale of the remaining units of Chantilly and Marinella will continue, as will the marketing efforts for our joint venture projects in Tai Po (Providence Bay and Providence Peak).

In the Mainland, we will continue marketing the Palace and Upstream Park projects in Shanghai. Depending on the progress of the project and market conditions, Grand Summit will also be considered for launch towards the end of the year or early next year. In Guangzhou, we launched the initial batch of units in J Metropolis which were very well received at the beginning of the year. The Group is currently examining the timing for the launch of the second batch. The remaining units in Le Palais in Guangzhou will continue to be marketed.

The contracted sales for the Palace and the last block of the Westwood project (T19) will be recognised in the first half of the year. Depending on the progress of the project, the sales in respect of Upstream Park may be booked towards the end of the year. The sales of the Grampian Road in Hong Kong and J Metropolis in Guangzhou will not be recognised in 2013.

The Group successfully acquired interests in three sites in Hong Kong and two in the Mainland during the second half of 2012. The planning for these five projects is well underway, and they are expected to be developed and marketed within the normal development cycle. It is the strategy of the Group to continue selling its development properties notwithstanding challenging market conditions while replenishing its project pipeline selectively with the net sales proceeds. These acquisition initiatives are well underpinned by the Group's strong financial position in terms of its relatively low gearing and high cash resources on hand. In Hong Kong, we will continue to participate in land acquisition opportunities while in the Mainland, we are closely monitoring opportunities in the Yangtze and Pearl River Delta areas.

REVIEW OF FINANCE

(1) Financial Position

The financial position of the Group remained strong. Total funds employed were increased to HK$31 billion as of 31 December 2012 (2011: HK$22 billion). The number of the issued shares of the Company increased to 2,633,793,837 as of 31 December 2012 (2011: 2,576,902,149) as a result of certain share options being exercised and the issue of a scrip dividend 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 2012, cash and bank deposits stood at HK$7,239 million, and total borrowings amounted to HK$11,474 million. Of the long-term bank borrowings, around 77% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totalling HK$2,520 million and HK$2,737 million for working capital and project facility purposes respectively.

The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, stayed at a healthy level of 21% as of 31 December 2012 (2011: 29%).

In May and December 2012, the Group successfully issued 5-year US$200 million and HK$150 million guaranteed notes respectively under the US$1 billion MTN programme. The latter was done through a private placement which opened up another fund-raising source for the Group. In August 2012, the Group successfully arranged a 3-year syndicated loan of HK$2,800 million with a well-diversified consortium of banks. Part of the proceeds will be used for refinancing, while the remaining will serve as general working capital to enhance the Group's liquidity.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure 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 mitigate foreign exchange exposures. Interest rate swap contracts are also utilised when considered appropriate to avoid the impact of any undue interest rate fluctuations on the Group's operations.

During the year, the Group engaged in the use of foreign exchange contracts to mitigate US dollar exposure in respect of the principal of the 5-year US$200 million guaranteed notes issued in May 2012. The Group has also engaged in the use of interest rate swap contracts to avoid the impact of any undue interest rate fluctuations on the 5-year HK$150 million guaranteed notes issued in December 2012.

(4) Charges on Group Assets

As of 31 December 2012, 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$15,220 million (2011: HK$12,115 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 31 December 2012, 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$9,825 million (2011: HK$8,304 million), HK$117 million (2011: HK$2,521 million) and HK$641 million (2011: HK$1,650 million), of which facilities totaling HK$6,285 million (2011: HK$6,134 million), HK$117 million (2011: HK$1,860 million) and HK$394 million (2011: HK$1,054 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK$154 million (2011: HK$26 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

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 2012, the Group, excluding its associated companies and jointly controlled entities, employs 811 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK$262 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 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

The Board and management of the Company are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholders value. The full Board is entrusted with the overall responsibility of developing, monitoring and performing the Corporate Governance Policy and the Shareholders Communication Policy as adopted by the Board. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence.

Throughout the year under review, the Company has complied with the code provisions ("***CG Codes***") of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 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***") at that time, except the deviations from (i) CG Code A.2.1, namely, the roles of chairman and managing director have not been separated; (ii) CG Code A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation; and (iii) CG Code A.6.7, namely, a Non-executive Director was unable to attend the annual general meeting of the Company held on 30 May 2012 as he was away from Hong Kong due to an another engagement.

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed “COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES” in the Corporate Governance Report of its 2011 Annual Report and as alluded to in the section headed “CORPORATE GOVERNANCE” in its 2012 Interim Report. Detailed information of the Company’s corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company’s 2012 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

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 2012 all its Directors have complied with the required standards as set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The Group’s annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2012 have been agreed to the amounts set out in the Group’s draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

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 2012.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 5 June 2013 (“***2013 AGM***”) a final scrip dividend (with a cash option) for the year ended 31 December 2012 of 10 HK cents per share, totaling HK$263,824,000, payable on 24 July 2013 to the shareholders whose names appear on the registers of members of the Company at the close of business on 18 June 2013 (2011: a final scrip dividend (with a cash option) of 8 HK cents per share totaling HK$206,152,000). Together with the interim scrip dividend (with a cash option) of 5 HK cents per share (2011: interim scrip dividend (with a cash option) of 2 HK cents per share), total dividends per share for the year ended 31 December 2012 is 15 HK cents (2011 total: 10 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2013 AGM and the 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 24 July 2013 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 31 May 2013 to 5 June 2013, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2013 AGM, 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 30 May 2013.

In addition, the registers of members will be closed from 14 June 2013 to 18 June 2013, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to 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 2013.

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*). The Company's 2012 Annual Report containing all the information required by the Listing Rules will also be published on the respective websites of the Company and the Exchange and printed copies will be sent to the shareholders in late April 2013.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (Chairman & Managing Director), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. Robin Chan Yau Hing, Dr. William Yip Shue Lam, Professor Poon Chung Kwong, Mr. Au Man Chu and Mr. Wong Kwai Lam.

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

Hong Kong, 27 March 2013