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

(Incorporated in Bermuda with limited liability)

(Stock Code: 173)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 as follows:

- Revenue increased significantly to HK\$3,196 million (2010: HK\$896 million), mainly contributed by satisfactory property sales
- Profit attributable to equity holders increased significantly to HK\$1,244 million (2010: HK\$193 million)
- Total comprehensive income attributable to equity holders almost doubled to HK\$2,573 million (2010: HK\$1,385 million)
- Earnings per share increased significantly to 48.27 HK cents (2010: 7.58 HK cents)
- Healthy financial position with gearing reduced to 17% (2010:29%)
- Satisfactory gross profit margin with quality asset portfolio

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 30 May 2012 (“**2012 AGM**”) a final scrip dividend (with a cash option) for the year ended 31 December 2011 of 8 HK cents per share, totaling HK\$206,152,000, payable on 19 July 2012 to the shareholders whose names appear on the registers of members of the Company at the close of business on 8 June 2012 (2010: a final cash dividend of 1 HK cent per share totaling HK\$25,512,000). Together with the interim scrip dividend (with a cash option) of 2 HK cents per share (2010: interim cash dividend of 1 HK cent per share), total dividends per share for the year ended 31 December 2011 is 10 HK cents (2010 total: 2 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2012 AGM and The Stock Exchange of Hong Kong Limited (“**Exchange**”) granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and dividend warrants will be posted on 19 July 2012 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations			
Revenue	3	3,196,361	896,056
Cost of sales		(1,026,718)	(244,548)
Gross profit		2,169,643	651,508
Other operating income		105,466	49,742
Other net gains		175,688	20,370
Other operating expenses		(215,140)	(104,290)
Administrative expenses		(342,834)	(288,367)
Change in fair value of investment properties		21,512	90,521
Finance costs	4	(38,384)	(19,064)
Share of (losses)/profits of jointly controlled entities		(38,897)	41,349
Share of losses of associated companies		(11,328)	(55)
Profit before taxation	5	1,825,726	441,714
Taxation charge	6	(543,289)	(194,362)
Profit from continuing operations		1,282,437	247,352
Discontinued operation			
Loss from discontinued operation		-	(6,621)
Profit for the year		1,282,437	240,731
Attributable to:			
Equity holders of the Company		1,243,514	193,139
Non-controlling interests		38,923	47,592
		1,282,437	240,731
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share from continuing operations	7		
Basic		48.27	7.76
Diluted		48.10	7.72
Loss per share from discontinued operation			
Basic		-	(0.18)
Diluted		-	(0.18)
Earnings per share from operations			
Basic		48.27	7.58
Diluted		48.10	7.54
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends	8		
Interim paid		51,064	25,506
Proposed final		206,152	25,520
		257,216	51,026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	1,282,437	240,731
Other comprehensive income:		
Change in fair value of non-current investments	883,913	908,286
Change in fair value of land and buildings transferred to investment properties	-	4,132
Exchange differences	502,299	310,081
Other comprehensive income for the year	1,386,212	1,222,499
Total comprehensive income for the year	2,668,649	1,463,230
Total comprehensive income attributable to		
Equity holders of the Company	2,573,302	1,385,299
Non-controlling interests	95,347	77,931
	2,668,649	1,463,230

CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	605,121	492,383
Investment properties	10	4,555,685	4,565,479
Leasehold land and land use rights	11	16,479	16,288
Jointly controlled entities	12	2,658,402	2,608,155
Associated companies	13	1,327,832	1,193,796
Non-current investments	14	2,310,523	1,426,610
Deferred taxation assets		40,848	35,149
Other non-current assets		106,781	99,176
		<u>11,621,671</u>	<u>10,437,036</u>
Current assets			
Development properties	15	11,146,166	9,460,026
Inventories		9,557	-
Debtors and prepayments	16	213,281	124,623
Tax recoverable		9,750	1,631
Structured bank deposits		968,299	155,130
Short-term bank deposits	17	524,238	-
Cash and bank balances	17	3,070,354	3,079,871
		<u>15,941,645</u>	<u>12,821,281</u>
Total assets		<u>27,563,316</u>	<u>23,258,317</u>
EQUITY			
Share capital	18	257,690	255,082
Reserves	19	12,491,475	9,953,423
Shareholders' funds		<u>12,749,165</u>	<u>10,208,505</u>
Non-controlling interests		996,486	896,919
Total equity		<u>13,745,651</u>	<u>11,105,424</u>
LIABILITIES			
Non-current liabilities			
Borrowings	20	5,448,377	5,661,799
Deferred taxation liabilities		912,207	808,206
		<u>6,360,584</u>	<u>6,470,005</u>
Current liabilities			
Amounts due to jointly controlled entities		67,148	67,218
Creditors and accruals	21	3,363,680	1,521,794
Current portion of borrowings	20	3,111,313	3,417,200
Tax payable		914,940	676,676
		<u>7,457,081</u>	<u>5,682,888</u>
Total liabilities		<u>13,817,665</u>	<u>12,152,893</u>
Total equity and liabilities		<u>27,563,316</u>	<u>23,258,317</u>
Net current assets		<u>8,484,564</u>	<u>7,138,393</u>
Total assets less current liabilities		<u>20,106, 235</u>	<u>17,575,429</u>

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 2010 except as stated below.

The adoption of revised HKFRSs

In 2011, the Group adopted the revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 24 (Revised)	Related Parties Disclosures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

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.

Standards and amendments to HKFRSs that are not yet effective

The following new/revised standards and amendments are effective for the accounting periods of the Group beginning on or after 1 January 2012 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 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 - Transfer of Financial Assets	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

1. Basis of preparation (Cont'd)

Standards and amendments to HKFRSs that are not yet effective (Cont'd)

		Effective for accounting periods beginning on or after
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 Measurement	1 January 2013

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, hotel operation 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, development and investment properties, debtors and prepayments, tax recoverable, cash and bank balances and bank deposits and other assets mainly include non-current investments, hotel building 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						Discontinued operation HK\$'000
	Property development			Property investment	Others	Total	
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	
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	

2. Segment information (Cont'd)

Geographical segment information

The Group operates in three (2010: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2011 and 2010 and total non-current assets as at 31 December 2011 and 2010 by geographical area are as follows:

Revenue

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continued operations		
Hong Kong	1,169,798	302,934
Mainland China	1,978,756	574,139
Singapore	47,807	18,983
	<u>3,196,361</u>	<u>896,056</u>
Discontinued operation		
Japan	-	43,960
	<u>3,196,361</u>	<u>940,016</u>

Non-current assets

(other than financial instruments and deferred taxation assets)

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	3,729,771	3,790,474
Mainland China	5,247,389	4,905,815
Singapore	186,359	179,812
	<u>9,163,519</u>	<u>8,876,101</u>

3. Revenue

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sale of properties	2,908,209	631,111
Rental income	266,439	264,945
Hotel operations	21,713	-
	<u>3,196,361</u>	<u>896,056</u>

4. Finance costs

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest expenses		
Bank loans, overdrafts and others	252,219	186,405
Capitalised as cost of properties under development	(213,835)	(167,189)
	<u>38,384</u>	<u>19,216</u>
Representing:		
Continuing operations	38,384	19,064
Discontinued operation	-	152
	<u>38,384</u>	<u>19,216</u>

5. Profit before taxation

	2011	2010	
	Continuing operations HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000
Profit before taxation is stated after crediting:			
Interest income from banks	66,262	25,993	7
Interest income from mortgage loans	278	437	-
Net exchange gains	10,705	20,452	-
Write-back of provision for construction costs	2,400	10,088	-
Gain on disposal of an investment property	165,036	-	-
and after charging :			
Cost of properties sold	989,721	230,135	-
Cost of inventories consumed/sold	2,594	-	35,237
Selling and marketing expenses	180,362	81,230	-
Depreciation (net of capitalisation)	24,524	8,646	-
Amortisation for leasehold land and land use rights	1,312	60	-

6. Taxation charge

	2011	2010
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	53,828	5,313
Mainland China		
- Income tax	266,090	82,608
- Land appreciation tax	361,454	96,508
Overseas	3,473	1,585
(Over)/under-provision in previous years	(203,639)	1,406
Deferred	62,083	6,942
	543,289	194,362

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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\$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:

	Continuing operations		Discontinued operation	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders of the Company	1,243,514	197,806	-	(4,667)
	Number of shares			
			2011	2010
Weighted average number of shares for calculating basic earnings per share			2,576,093,000	2,548,245,000
Effect of dilutive potential ordinary shares				
Share options			9,237,000	12,442,000
Weighted average number of shares for calculating diluted earnings per share			2,585,330,000	2,560,687,000

8. Dividends

	2011 HK\$'000	2010 HK\$'000
Interim scrip dividend (with a cash option) of 2 HK cents (2010: interim cash dividend of 1 HK cent) per share	51,064	25,506
Proposed final scrip dividend (with a cash option) of 8 HK cents (2010: final cash dividend of 1 HK cent) per share	206,152	25,520
	257,216	51,026
The dividends have been settled by cash as follows:		
Interim	11,133	25,506
Final	-	25,520
	11,133	51,026

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2011 of 8 HK cents (2010: final cash dividend of 1 HK cent) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2012.

9. Property, plant and equipment

	Hotel building HK\$'000	Land and buildings HK\$'000	Assets under construction HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost						
At 31 December 2009	-	119,406	153,085	2,953	51,214	326,658
Exchange differences	-	790	4,896	102	585	6,373
Additions	-	11,682	162,339	-	13,691	187,712
Change in fair value for land and buildings	-	4,132	-	-	-	4,132
Transfer to investment properties	-	(6,001)	-	-	-	(6,001)
Transfer from investment properties	-	37,032	-	-	-	37,032
Disposal of a subsidiary	-	-	-	-	(1,905)	(1,905)
Disposal	-	-	-	-	(645)	(645)
At 31 December 2010	-	167,041	320,320	3,055	62,940	553,356
Exchange differences	8,661	2,654	8,660	663	1,519	22,157
Additions	-	-	65,467	23,271	28,311	117,049
Reclassification	394,447	-	(394,447)	-	-	-
Disposals	-	-	-	-	(657)	(657)
At 31 December 2011	403,108	169,695	-	26,989	92,113	691,905
Accumulated depreciation						
At 31 December 2009	-	25,279	-	1,063	27,259	53,601
Exchange differences	-	188	-	43	460	691
Charge for the year	-	2,320	-	269	6,333	8,922
Transfer to investment properties	-	(210)	-	-	-	(210)
Disposal of a subsidiary	-	-	-	-	(1,512)	(1,512)
Disposals	-	-	-	-	(519)	(519)
At 31 December 2010	-	27,577	-	1,375	32,021	60,973
Exchange differences	179	334	-	110	663	1,286
Charge for the year	8,154	2,859	-	1,936	11,967	24,916
Disposals	-	-	-	-	(391)	(391)
At 31 December 2011	8,333	30,770	-	3,421	44,260	86,784
Net book value						
At 31 December 2011	394,775	138,925	-	23,568	47,853	605,121
At 31 December 2010	-	139,464	320,320	1,680	30,919	492,383

Hotel building and land and buildings with carrying values of totaling HK\$533,700,000 (2010: HK\$139,464,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

10. Investment properties

	2011 HK\$'000	2010 HK\$'000
At beginning of year	4,565,479	4,364,555
Exchange differences	186,694	144,214
Change in fair value	21,512	90,521
Disposal	(218,000)	-
Transfer from property, plant and equipment	-	5,791
Transfer to property, plant and equipment	-	(37,032)
Transfer from leasehold land and land use rights	-	120
Transfer to leasehold land and land use rights	-	(2,690)
At end of year	4,555,685	4,565,479

Investment properties with carrying values of HK\$4,201,685,000 (2010: HK\$3,991,679,000) were pledged to secure the banking facilities of the Group.

11. Leasehold land and land use rights

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At beginning of year	16,288	12,619
Transfer to investment properties	-	(120)
Transfer from investment properties	-	2,690
Transfer from development properties	1,269	668
Exchange differences	234	491
Amortisation	(1,312)	(60)
At end of year	<u>16,479</u>	<u>16,288</u>

The interests in leasehold land and land use rights represent prepaid operating lease payments with medium-term lease in Mainland China. Leasehold land and land use rights with carrying values of HK\$16,479,000 (2010: HK\$16,288,000) were pledged to secure the banking facilities of the Group.

12. Jointly controlled entities

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Share of net assets	762,152	766,703
Loan receivables	1,896,250	1,841,452
	<u>2,658,402</u>	<u>2,608,155</u>

13. Associated companies

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Share of net liabilities	(11,507)	(179)
Loan receivables	1,339,339	1,193,975
	<u>1,327,832</u>	<u>1,193,796</u>

14. Non-current investments

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Listed equity securities, at fair value	<u>2,310,523</u>	<u>1,426,610</u>

The listed securities represent the Group's 3.9% (2010: 4.1%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

15. Development properties

	<i>Completed</i>	<i>Under development</i>	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and land use rights	911,620	3,389,770	4,301,390	4,281,308
Development costs	1,444,487	5,400,289	6,844,776	5,178,718
	<u>2,356,107</u>	<u>8,790,059</u>	<u>11,146,166</u>	<u>9,460,026</u>

Development properties with carrying values of HK\$7,363,401,000 (2010: HK\$6,473,409,000) were pledged to secure the banking facilities of the Group.

16. Debtors and prepayments

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors, net of provision	2,850	7,072
Other debtors, net of provision	54,836	52,590
Amount due from a non-controlling interest	7,117	-
Land deposits, net of impairment	9,706	9,706
Prepayments and other deposits	138,772	55,255
	<u>213,281</u>	<u>124,623</u>

Trade debtors mainly comprise rental receivable. 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:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	2,057	7,019
Two to three months	748	11
Four to six months	2	42
Over six months	43	-
	<u>2,850</u>	<u>7,072</u>

17. Short-term bank deposits and cash and bank balances

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Short-term bank deposits maturing after three months	<u>524,238</u>	-
Cash at bank and in hand	2,503,175	1,607,537
Short-term bank deposits	<u>567,179</u>	<u>1,472,334</u>
Cash and bank balances	<u>3,070,354</u>	<u>3,079,871</u>
	<u>3,594,592</u>	<u>3,079,871</u>

The cash and bank balances include HK\$400,671,000 (2010: HK\$854,135,000) which have been pledged or assigned for specific purposes under certain conditions.

18. Share capital

	2011		2010	
	<i>Shares of HK\$0.10 each</i>	<i>HK\$'000</i>	<i>Shares of HK\$0.10 each</i>	<i>HK\$'000</i>
Authorised:				
At beginning and end of year	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	2,550,821,810	255,082	2,470,383,196	247,038
Share options exercised	2,387,400	239	9,600,130	960
Issued as scrip dividends	<u>23,692,939</u>	<u>2,369</u>	<u>70,838,484</u>	<u>7,084</u>
At end of year	<u>2,576,902,149</u>	<u>257,690</u>	<u>2,550,821,810</u>	<u>255,082</u>

19. Reserves

	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Investment reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2010	1,686,730	25,298	99,089	13	859	2,963	1,254,377	808,243	6,075,851	9,953,423
Comprehensive income										
Profit for the year	-	-	-	-	-	-	-	-	1,243,514	1,243,514
Other comprehensive income										
Translation differences	-	-	-	-	-	147	-	411,381	-	411,528
Translation differences for jointly controlled entities	-	-	-	-	-	-	-	34,347	-	34,347
Change in fair value of non-current investments	-	-	-	-	-	-	883,913	-	-	883,913
Transaction with equity holders										
Exercise of share options	4,335	(563)	-	-	-	-	-	-	-	3,772
Lapse of share options	-	(4,117)	-	-	-	-	-	-	4,117	-
Shares issued as scrip dividends	(2,369)	-	-	-	-	-	-	-	-	(2,369)
Reserve arising on scrip dividends	-	-	-	-	-	-	-	-	39,931	39,931
2010 final dividend	-	-	-	-	-	-	-	-	(25,520)	(25,520)
2011 interim dividend	-	-	-	-	-	-	-	-	(51,064)	(51,064)
At 31 December 2011	1,688,696	20,618	99,089	13	859	3,110	2,138,290	1,253,971	7,286,829	12,491,475
Retained by:										
Company and subsidiaries	1,688,696	20,618	99,089	13	859	3,110	2,138,290	1,091,474	7,197,133	12,239,282
Jointly controlled entities	-	-	-	-	-	-	-	162,497	101,205	263,702
Associated companies	-	-	-	-	-	-	-	-	(11,509)	(11,509)
	1,688,696	20,618	99,089	13	859	3,110	2,138,290	1,253,971	7,286,829	12,491,475

19. Reserves (Cont'd)

	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Investment reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2009	1,682,615	30,001	99,089	13	482	-	346,091	529,395	6,019,793	8,707,479
Comprehensive income										
Profit for the year	-	-	-	-	-	-	-	-	193,139	193,139
Other comprehensive income										
Translation differences	-	-	-	-	-	87	-	269,179	-	269,266
Translation differences for jointly controlled entities	-	-	-	-	-	-	-	23,125	-	23,125
Release of realised exchange difference	-	-	-	-	-	-	-	(11,393)	-	(11,393)
Transfer of properties to investment properties	-	-	-	-	-	2,876	-	-	-	2,876
Change in fair value of non-current investments	-	-	-	-	-	-	908,286	-	-	908,286
Transaction with equity holders										
Exercise of share options	11,199	(2,448)	-	-	-	-	-	-	-	8,751
Lapse of share options	-	(2,255)	-	-	-	-	-	-	2,255	-
Shares issued as scrip dividends	(7,084)	-	-	-	-	-	-	-	-	(7,084)
Reserve arising on scrip dividends	-	-	-	-	-	-	-	-	169,320	169,320
Release from disposal of a subsidiary	-	-	-	-	377	-	-	(2,063)	-	(1,686)
Acquisition of additional interest in a subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	(35,236)	(35,236)
2009 final dividend	-	-	-	-	-	-	-	-	(247,914)	(247,914)
2010 interim dividend	-	-	-	-	-	-	-	-	(25,506)	(25,506)
At 31 December 2010	1,686,730	25,298	99,089	13	859	2,963	1,254,377	808,243	6,075,851	9,953,423
Retained by:										
Company and subsidiaries	1,686,730	25,298	99,089	13	859	2,963	1,254,377	680,093	5,935,930	9,685,352
Jointly controlled entities	-	-	-	-	-	-	-	128,150	140,102	268,252
Associated companies	-	-	-	-	-	-	-	-	(181)	(181)
	1,686,730	25,298	99,089	13	859	2,963	1,254,377	808,243	6,075,851	9,953,423

20. Borrowings

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Long-term bank loans (a)		
Secured	3,124,187	3,252,842
Unsecured	5,163,369	5,064,098
	<u>8,287,556</u>	<u>8,316,940</u>
Short-term bank loans (a)		
Unsecured	272,134	762,059
	<u>8,559,690</u>	<u>9,078,999</u>
Current portion included in current liabilities	<u>(3,111,313)</u>	<u>(3,417,200)</u>
	<u>5,448,377</u>	<u>5,661,799</u>

(a) The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 3.1% (2010: 2.3%).

21. Creditors and accruals

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade creditors	877,402	340,476
Other creditors	60,080	44,757
Amounts due to non-controlling interests	69,220	124,407
Accrued operating expenses	46,082	52,247
Advanced proceeds on sale of properties	2,220,919	862,790
Rental deposits received	89,977	97,117
	<u>3,363,680</u>	<u>1,521,794</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one month	807,293	340,476
Two to three months	3,032	-
Over six months	67,077	-
	<u>877,402</u>	<u>340,476</u>

22. Guarantee

As of 31 December 2011, the Group and the Company have executed the following guarantees in favour of the following parties:

	2011		2010	
	Outstanding <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Outstanding <i>HK\$'000</i>	Utilised <i>HK\$'000</i>
<u>Group</u>				
Banks and financial institutions in respect of loan facilities granted to:				
- jointly controlled entities	2,521,250	1,859,650	2,521,250	1,621,900
- associated companies	1,650,000	1,053,900	1,650,000	1,053,900
- properties buyers	26,150	26,150	-	-
	4,197,400	2,939,700	4,171,250	2,675,800

Company

Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	8,304,181	6,134,181	7,093,690	6,414,390
- jointly controlled entities	2,521,250	1,859,650	2,521,250	1,621,900
- associated companies	1,650,000	1,053,900	1,650,000	1,053,900
	12,475,431	9,047,731	11,264,940	9,090,190

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

Turnover and profit attributable to equity holders for the year ended 31 December 2011 increased to HK\$3,196 million and HK1,244 million respectively, as compared to the last year amount of HK\$896 million and HK\$193 million respectively. The significant jump in profit was mainly attributed from the sales of the remaining units of the Great Hill and pre-sales of Phase III Shanghai Westwood recognised upon the completion during the year.

The Group pursues the spirit of excellence with outstanding quality and services in property development with strategically focus on Hong Kong and certain cities in Mainland China. The Group has further strengthened its execution capability in the development cycle and developing competitive premium products in its comparable neighbourhood. The Group shall continue to stay focused to look for opportunities to drive sustainable growth in both Hong Kong and Mainland China.

Mainland China

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

(A) Current Major Development Properties

Shanghai

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

Following the completion and successful marketing of Phase II of this luxury project, Phase III, The Legend, was launched in late 2010 and 2011 and was well received by the buyers. Nearly 80% of the units have been pre-sold within a short period of time providing satisfactory cash inflows to the Group. Out of the five blocks of residential units (approximately 100,000 square metres), four blocks had been completed and handed over to the buyers in late 2011 and early 2012. The last block will be completed in mid/late 2012.

(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 and is intended to be developed into an integrated development with luxury residential apartments and high-class commercial facilities. The Palace, launched for pre-sale in September 2011, had received positive comments in regard of its quality and location. Construction work is in good progress and is scheduled for completion in 2013 / 2014.

(iii) *Phase III, Yanjiazhai, Jingan District (99% owned)*

The total GFA of this luxury 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 of this project have been topped out and are ready to be put on the market for pre-sale.

(iv) Minhang District Project (100% owned)

With a total GFA of approximately 168,000 square metres, this project will be developed into an integrated residential and commercial complex. The construction work of Phase I is underway and its pre-sale is expected to be launched within this year with targeted completion in early 2013.

(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 be developed into low-rise residential buildings with shopping and commercial facilities. The construction work of this project has already commenced.

Guangzhou

(vi) Huadu Jiahua Guangchang, 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. The project plans for a composite development with hotel, offices and premium residential towers. The first phase of its development comprises of a hotel and an office tower. The hotel (known as Crowne Plaza Guangzhou Huadu) was opened on July 2011, and the office tower is to be completed in mid-2012. Second phase of residential development has commenced and is targeted to be completed in 2014.

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

This project, located in the downtown area of Huadu, is a residential development with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. Its pre-sales was launched in 2011, and the project is targeted to be completed in 2012.

(viii) 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 and plan to pre-sale in mid-2012.

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

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

This prime investment property continues to maintain high occupancy throughout the year with satisfactory rentals.

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. Nearly all of the units have been sold. The remaining apartments and houses will be disposed of at the best opportunity.

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

This exclusive low-rise residential project with total GFA of approximately 8,100 square metres has 24 luxury apartments, a club house and a swimming pool. The development of the project was completed.

(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. Foundation work is in progress with targeted completion in 2013.

(iv) Marinella, Aberdeen, 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. Pre-sales was launched in October 2011 and over 70% residential units have been sold. Total GFA is estimated to be approximately 69,300 square metres. Superstructure works are underway and the Group expects completion by 2012.

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

This is a luxury residential development under a joint venture with other property developers. Pre-sales was launched in November 2011 and approximate 35% residential units have been sold. Total GFA is estimated to be approximately 78,400 square metres. Superstructure works are underway and the Group expects completion by 2012.

(vi) The Coronation, 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 70,000 square metres, of which approximately 8,000 square metres will be allocated for retail and shops. Pre-sales was launched in December 2011 and over 90% residential units have been sold. Superstructure works are underway and the Group expects completion by 2012.

(vii) 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 83,600 square metres. Superstructure works are underway 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 completed and the Group expects completion by 2014.

(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. Total GFA is estimated to be approximately 3,700 square metres. Design work has already started.

(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 GFA of approximately 3,400 square metres. It is almost fully occupied and continues to deliver stable rental 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 2011, share price of GEG was HK\$14.22 per share compared to HK\$8.78 per share at 31 December 2010. The change in fair value of approximately HK\$884 million was recorded as an increase in reserve. The investment has significantly increased the net asset position of the Group.

OUTLOOK

Looking into 2012, uncertainties continue in the global economic environment in view of Eurozone debt crisis and the slow recovery of the US economy. Turmoil in the Middle East in the wake of political movements remains a concern.

It is expected that China will continue to seek to regulate and stabilize its economic development by austerity measures.

Property prices in China and Hong Kong will still be affected by such austerity measures and economic uncertainties in the future. However, demand for residential housing is expected to remain strong in the long term, as the desire to improve living standard shall remain strong.

Major projects that will be put on market in Hong Kong will include the Chantilly and the joint venture projects namely, The Coronation in West Kowloon and Providence Bay in Tai Po.

In China, major projects that will go on sale include Minhang, Zhujiajiao in Shanghai, the Xinhua Zhen project in Guangzhou, the Palace and the last block of the Legend.

The Group will strive to make further efforts in exercising a focused and selective approach to land acquisition in both Hong Kong and Mainland China that can deliver good shareholder values. The Group will strive to make further efforts to offer premium products that exceed customer expectations thus enhancing its brand and reputation.

REVIEW OF FINANCE

(1) *Financial Position*

The financial position of the Group remained strong. Total funds employed were increased to HK\$22 billion at 31 December 2011 (2010: HK\$20 billion). The number of the issued shares of the Company increased as a result of the exercise of share options 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 2011, total bank borrowings amounted to HK\$8,560 million and cash and bank balances and deposits stood at HK\$4,563 million. In addition, the Group had available committed undrawn facilities totaling HK\$1,190 million and HK\$1,345 million for working capital and project facility purposes respectively. 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 17% at of 31 December 2011.

Of the long-term bank borrowings, around 66% 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 2011, 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\$12,115 million (2010: HK\$10,621 million) to banks to secure the Group's borrowing facilities.

(5) *Guarantees*

As of 31 December 2011, 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\$8,304 million (2010: HK\$7,094 million), HK\$2,521 million (2010: HK\$2,521 million) and HK\$1,650 million (2010: HK\$1,650 million) respectively, of which HK\$6,134 million (2010: HK\$6,414 million), HK\$1,860 million (2010: HK\$1,622 million) and HK\$1,054 million (2010: HK\$1,054 million) have been utilised respectively. In addition, a subsidiary of the Company provided guarantees amounting to HK\$26 million (2010: nil) 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.

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 Board has established a corporate governance committee and adopted a corporate governance policy which gives guidance on how corporate governance principles are applied to the Company. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence.

Throughout the year, the Company has complied with all the provisions in the Code on Corporate Governance Practices (“*CG Code*”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Exchange (“*Listing Rules*”), except the deviations from (i) CG Code A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CG Code A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation. 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 2010 Annual Report and as alluded to in the section headed “Corporate Governance” in its 2011 Interim Report. Detailed information of the Company’s corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company’s 2011 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 2011 all its Directors have complied with the required standards as set out in the Model Code.

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 14 March 2012 and reviewed the Company’s accounting principles and practices and discussed auditing, internal control and financial reporting matters. The Group’s 2011 annual results have been reviewed by the Audit Committee of the Company.

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 2011.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 25 May 2012 to 30 May 2012, 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 2012 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 24 May 2012.

In addition, the registers of members will be closed from 6 June 2012 to 8 June 2012, 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 5 June 2012.

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 2011 and their report will be included in the Company's 2011 Annual Report to the shareholders which will also be published on the respective websites of the Company and the Exchange in late April 2012.

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 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, 22 March 2012