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)

An Unwavering Commitment to Quality and Innovation

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

ANNUAL RESULTS HIGHLIGHTS

The Board of Directors ("***Board***") of K. Wah International Holdings Limited ("***Company***") is pleased to announce the consolidated annual results of the Company and its subsidiaries (together the "***Group***") as follows:

	year ended 31 December		
	2013	2012	Change
	HK$ million	*HK$ million*	
Revenue	**7,288**	3,346	118%
Profit attributable to equity holders	**1,647**	4,300	(62%)
Total comprehensive income attributable to equity holders	**8,417**	6,919	22%
Shareholders' funds	**27,619**	19,357	43%

- Earnings per share was 60.95 HK cents, and the full year dividend per share (including final dividend per share of 10 HK cents) was 15 HK cents.
- As of 31 December 2013, cash and bank deposits amounted to HK$5,624 million and net debt as a percentage of total equity was 14%.
- During the year, the Group further enhanced its funding capability by successfully securing a HK$3.3 billion syndicated loan. We also recently completed another syndicated loan of HK$3.98 billion in March 2014, taking advantage of the favourable terms available in the market.
- By successfully acquiring interests in 9 new sites in the past 18 months, the Group has added to its future three-year pipeline. The Group will continue to augment its landbank, on a disciplined basis, by capitalising on market opportunities and its strong funding capability.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2013

	Note	**2013**	2012
	Note	***HK$'000***	*HK$'000*
Revenue	3	**7,288,415**	3,346,477
Cost of sales		**(4,141,848)**	(1,212,776)
Gross profit		**3,146,567**	2,133,701
Other operating income		**125,941**	150,021
Other net gains		**146,544**	539,569
Other operating expenses		**(244,422)**	(207,239)
Administrative expenses		**(440,531)**	(449,057)
Change in fair value of investment properties		**224,154**	187,426
Finance costs	4	**(93,861)**	(49,120)
Share of profits of joint ventures		**78,451**	2,102,516
Share of profits of associated companies		**61,107**	697,604
Profit before taxation	5	**3,003,950**	5,105,421
Taxation charge	6	**(1,301,940)**	(733,130)
Profit for the year		**1,702,010**	4,372,291
Attributable to:			
Equity holders of the Company		**1,646,773**	4,300,179
Non-controlling interests		**55,237**	72,112
		1,702,010	4,372,291

		HK cents	*HK cents*
Earnings per share	7		
Basic		**60.95**	163.35
Diluted		**60.60**	162.49

		HK$'000	*HK$'000*
Dividends	8		
Interim paid		**134,117**	130,605
Proposed final		**271,612**	263,998
		405,729	394,603

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**1,702,010**	4,372,291
Other comprehensive income:		
Items that will not be reclassified to profit and loss:		
Change in fair value of land and buildings transferred to investment properties	**-**	1,045
Items that may be reclassified to profit and loss:		
Change in fair value of non-current investments	**6,369,374**	2,612,744
Exchange differences	**440,747**	4,402
Other comprehensive income for the year	**6,810,121**	2,618,191
Total comprehensive income for the year	**8,512,131**	6,990,482
Total comprehensive income attributable to:		
Equity holders of the Company	**8,417,492**	6,918,557
Non-controlling interests	**94,639**	71,925
	8,512,131	6,990,482

CONSOLIDATED BALANCE SHEET
As at 31 December 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**593,184**	616,814
Investment properties		**5,135,518**	4,890,916
Leasehold land and land use rights		**17,558**	16,608
Joint ventures		**2,308,065**	2,210,906
Associated companies		**2,242,215**	2,065,477
Non-current investments		**11,292,641**	4,923,267
Deferred taxation assets		**52,079**	55,301
Derivative financial instruments		**12,313**	-
Other non-current assets		**24,468**	1,568
		21,678,041	14,780,857
Current assets			
Development properties		**15,595,216**	13,894,002
Inventories		**1,899**	4,691
Amount due from a joint venture		**228,260**	853,182
Amount due from an associated company		**235,315**	560,107
Debtors and prepayments	9	**1,218,856**	867,985
Taxes recoverable		**68,067**	66,021
Cash and bank deposits		**5,623,962**	7,238,880
		22,971,575	23,484,868
Total assets		**44,649,616**	38,265,725
EQUITY			
Share capital		**271,215**	263,379
Reserves		**27,347,538**	19,093,656
Shareholders' funds		**27,618,753**	19,357,035
Non-controlling interests		**1,475,193**	1,052,460
Total equity		**29,093,946**	20,409,495
LIABILITIES			
Non-current liabilities			
Borrowings		**5,274,179**	6,712,105
Guaranteed notes		**1,704,088**	1,700,658
Derivative financial instruments		**1,896**	7,412
Deferred taxation liabilities		**1,223,227**	1,135,848
		8,203,390	9,556,023
Current liabilities			
Amounts due to joint ventures		**1,558,289**	1,559,370
Amount due to an associated company		**402,685**	104,935
Creditors and accruals	10	**1,676,211**	2,987,991
Current portion of borrowings		**2,619,982**	3,061,174
Taxes payable		**1,095,113**	586,737
		7,352,280	8,300,207
Total liabilities		**15,555,670**	17,856,230
Total equity and liabilities		**44,649,616**	38,265,725
Net current assets		**15,619,295**	15,184,661
Total assets less current liabilities		**37,297,336**	29,965,518

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 and derivative financial instruments, 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 2012, except as stated below.

The adoption of revised HKFRSs

In 2013, the Group adopted the following new/revised standards and amendments of HKFRS below, which is relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures -Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

HKICPA's annual improvements to certain HKFRSs published in June 2012

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 34 (Amendment)	Interim Financial Reporting

Except for the adoption of HKAS 1 (Amendment), HKFRS 12 and HKFRS 13 which affected the Group's presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new/revised standards and amendments 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.

1. Basis of preparation (cont'd)

		Effective for accounting periods beginning on or after
Standards, amendments and interpretation to existing standards that are not yet effective		
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivates and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities	1 January 2014
HK (IFRIC) – Int 21	Levies	1 January 2014
Annual Improvements to HKFRSs 2010-2012 Cycle		1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle		1 July 2014

The Group is not yet in a position to state whether the adoption of the above new standards, amendments and interpretation 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, gain on disposal of a joint venture and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of joint ventures 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, taxes recoverable, cash and bank deposits and other assets mainly include non-current investments, derivative financial instruments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, amounts due to joint ventures and an associated company, borrowings, guaranteed notes, derivative financial instruments, taxes payable 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 *HK$'000*	**Mainland China** *HK$'000*	**Others** *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013						
Revenue	**7,403**	**6,744,302**	**172,555**	**274,367**	**89,788**	**7,288,415**
Adjusted EBITDA	**2,201**	**2,613,309**	**112,112**	**249,672**	**(224,301)**	**2,752,993**
Other income and expenses/gains, net						**28,063**
Depreciation and amortisation						**(46,957)**
Change in fair value of investment properties				**224,154**		**224,154**
Finance costs						**(93,861)**
Share of profits/(losses) of joint ventures	**82,644**	**(4,193)**				**78,451**
Share of profits of associated companies	**61,107**					**61,107**
Profit before taxation						**3,003,950**
Taxation charge						**(1,301,940)**
Profit for the year						**1,702,010**
As at 31 December 2013						
Segment assets	**4,349,817**	**17,642,659**	**370,793**	**5,371,939**	**-**	**27,735,208**
Other assets	**-**	**-**	**-**	**-**	**11,900,553**	**11,900,553**
Joint ventures	**2,536,325**	**-**	**-**	**-**	**-**	**2,536,325**
Associated companies	**2,477,530**	**-**	**-**	**-**	**-**	**2,477,530**
Total assets	**9,363,672**	**17,642,659**	**370,793**	**5,371,939**	**11,900,553**	**44,649,616**
Total liabilities	**6,145,410**	**7,577,515**	**21,046**	**1,471,533**	**340,166**	**15,555,670**
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 joint venture		493,040				493,040
Change in fair value of investment properties				187,426		187,426
Finance costs						(49,120)
Share of profits/(losses) of joint ventures	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
Joint ventures	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

2. Segment information (Cont'd)

Geographical segment information

The Group operates in three (2012: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2013 and 2012 and total non-current assets (other than non-current investments, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2013 and 2012 by geographical area are as follows:

Revenue

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**22,246**	464,673
Mainland China	**7,077,693**	2,840,714
Singapore	**188,476**	41,090
	7,288,415	3,346,477

Non-current assets
(other than non-current investments, deferred taxation assets, derivative financial instruments and other non-current assets)

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**5,297,405**	4,779,368
Mainland China	**4,999,133**	4,807,245
Singapore	**2**	214,108
	10,296,540	9,800,721

3. Revenue

	2013	2012
	HK$'000	*HK$'000*
Sale of properties	**6,924,260**	2,986,079
Rental income	**274,367**	279,463
Hotel operations	**89,788**	80,935
	7,288,415	3,346,477

4. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, overdrafts and others	**530,205**	419,486
Capitalised as cost of properties under development	**(436,344)**	(370,366)
	93,861	49,120

5. Profit before taxation

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**98,396**	113,280
Interest income from mortgage loans	**175**	222
Gain on disposal of an investment property	**69,906**	-
Gain on disposal of a joint venture	**-**	493,040
Gain on transferred of development properties to investment properties	**71,071**	60,713
Net fair value gains on derivative financial instruments	**17,833**	-
and after charging:		
Cost of properties sold	**4,077,525**	1,145,555
Cost of inventories consumed/sold	**18,365**	15,951
Selling and marketing expenses	**194,979**	159,217
Depreciation (net of capitalisation)	**46,825**	42,181
Amortisation for leasehold land and land use rights	**132**	805
Net fair value losses on derivative financial instruments	**-**	7,416
Net exchange losses	**17,471**	6,720

6. Taxation charge

	2013	2012
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**13,523**	10,177
Mainland China		
- Income tax	**548,346**	427,435
- Land appreciation tax	**661,502**	228,535
Overseas	**20,577**	2,991
Over-provision in previous years	**(1,693)**	(146,157)
Deferred	**59,685**	210,149
	1,301,940	733,130

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 in 2012 taxation included a reversal of provision for the PRC tax of approximately HK$148 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:

	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**1,646,773**	4,300,179

	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	**2,701,937,000**	2,632,529,000
Effect of dilutive potential ordinary shares		
Share options	**15,486,000**	13,822,000
Weighted average number of shares for calculating diluted earnings per share	**2,717,423,000**	2,646,351,000

8. Dividends

	2013	2012
	HK$'000	*HK$'000*
Interim scrip dividend (with a cash option) of 5 HK cents (2012: interim scrip dividend (with a cash option) of 5 HK cents) per share	**134,117**	130,605
Proposed final scrip dividend (with a cash option) of 10 HK cents (2012: final scrip dividend (with a cash option) of 10 HK cents) per share	**271,612**	263,998
	405,729	394,603
The dividends have been settled by cash as follows:		
Interim	**55,324**	61,279
Final	**-**	124,113
	55,324	185,392

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2013 of 10 HK cents (2012: final scrip dividend (with a cash option) of 10 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2014.

9. Debtors and prepayment

	2013	2012
	HK$'000	*HK$'000*
Trade debtors, net of provision	**601,984**	31,239
Other debtors, net of provision	**197,709**	174,863
Amounts due from non-controlling interests	**7,759**	14,638
Land deposits	**337,226**	398,152
Prepayments and other deposits	**74,178**	249,093
	1,218,856	867,985

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:

	2013	2012
	HK$'000	*HK$'000*
Within one month	**502,319**	27,906
Two to three months	**45,548**	59
Four to six months	**32,614**	-
Over six months	**21,503**	3,274
	601,984	31,239

10. Creditors and accruals

	2013	2012
	HK$'000	*HK$'000*
Trade creditors	**838,501**	709,945
Other creditors	**54,200**	25,324
Amounts due to non-controlling interests	**377,624**	123,635
Accrued operating expenses	**191,816**	52,323
Advanced proceeds on sale of properties	**114,652**	1,986,077
Rental deposits received	**99,418**	90,687
	1,676,211	2,987,991

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

	2013	2012
	HK$'000	*HK$'000*
Within one month	**835,651**	708,273
Two to three months	**2,322**	-
Four to six months	**95**	-
Over six months	**433**	1,672
	838,501	709,945

11. Guarantee

As of 31 December 2013, the Group and the Company have executed the following guarantees in favour of the following parties:

	2013		2012	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
<u>Group</u>				
Banks and financial institutions in respect of loan facilities granted to:				
- joint ventures	**117,000**	**117,000**	117,000	117,000
- associated companies	**641,250**	**393,900**	641,250	393,900
- properties buyers	**158,276**	**158,276**	154,201	154,201
	916,526	**669,176**	912,451	665,101
<u>Company</u>				
Banks and financial institutions in respect of loan facilities granted to:				
- subsidiaries	**12,747,900**	**6,183,900**	9,825,443	6,285,443
- joint ventures	**117,000**	**117,000**	117,000	117,000
- associated companies	**641,250**	**393,900**	641,250	393,900
	13,506,150	**6,694,800**	10,583,693	6,796,343

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

Mainly derived from property sales of The Palace, Upstream Park and Westwood III in Shanghai and J Metropolis in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre, the revenue of the Group increased to HK$7,288 million for the year ended 31 December 2013 compared with HK$3,346 million in 2012. The attributable revenue of the Group ("**Attributable Revenue**"), comprising the revenue of the Group, revenue contributions from joint ventures and associated companies amounting to HK$374 million, decreased to HK$7,662 million in 2013 from HK$11,842 million in 2012. The decrease was mainly due to the decline in sales of our joint venture projects in Hong Kong.

Attributable Contracted Sales of the Group (being contracted sales of the Group and contributions from joint ventures and associated companies) in 2013 amounted to approximately HK$4,800 million, mainly attributable to The Palace, Upstream Park and Westwood III in Shanghai, J Metropolis in Guangzhou as well as joint venture projects in Hong Kong. This amount was recognised in the accounts of the Group in 2013.

Profit attributable to equity holders of the Company and underlying profit of the Group for the year ended 31 December 2013 decreased to HK$1,647 million and HK$1,389 million respectively as compared with the previous year.

Total comprehensive income attributable to equity holders of the Company increased by 22% to HK$8,417 million for the year ended 31 December 2013, as compared with the previous year. The increase in total comprehensive income was primarily due to the increase in fair value of HK$6,369 million on non-current investments of an approximately 3.9% interest in Galaxy Entertainment Group Limited.

Hong Kong

The various property market cooling measures in force continued to have an impact during the year. Prices set for new property launches were discounted to bring them closer to the secondary market, although total transaction volumes remained weak. The leasing market, however, was stable, with the Group achieving satisfactory rentals and occupancy for its investment properties during the year.

Most of the property development projects in Hong Kong were under construction or development and works were progressing well during the year.

(A) Current Major Development Properties

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

The Group plans to develop this project into a premium residential development comprising mainly small-to medium-sized units with a total GFA of approximately 28,000 square metres. Foundation work is underway, and completion of the project is expected by 2016.

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

This is a premium residential development that has been undertaken together with another property developer. Total GFA is approximately 49,000 square metres. Foundation work has already started, and the project is expected to be completed by 2017.

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

This is a premium residential development that is being carried out with another property developer. Total GFA is approximately 45,000 square metres. Foundation work is in progress, with an expected completion by 2016.

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

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

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

Marinella is a luxury residential development in cooperation with other property developers, with the Group as lead partner and project manager. Total GFA is approximately 69,300 square metres comprising 411 units. The development has been completed, and over 90% of the residential units have been sold.

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

This is a luxury residential development undertaken with other property developers. Total GFA is approximately 78,400 square metres. The certificate of compliance was obtained in February 2013, and around 60% of the residential units have been sold.

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

This is a luxury residential development in cooperation with other developers. Total GFA is approximately 83,600 square metres. The certificate of compliance was obtained in April 2013, and over 75% of the residential units have been sold.

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

This is a luxury residential development that is being undertaken with another property developer. Total GFA is approximately 67,000 square metres. Superstructure work is in progress with an expected completion by 2014.

(ix) 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 2015.

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

This is a luxury residential development in cooperation with another property developer. Total GFA is approximately 3,700 square metres. Planning and design work is currently in progress.

(xi) New Kowloon Inland Lot No. 6526, Kai Tak Area 1I Site 2 (100% owned)

This newly-acquired site is located in the heart of the Kai Tak Development Area near the future Kai Tak station of the Shatin to Central Link, with a total GFA of approximately 51,000 square metres. The project has huge development potential due to the improved connectivity and amenities proposed under the Government's Energizing Kowloon East plan. Planning and design work will soon commence.

(B) Other properties in Hong Kong

J SENSES at J Residence, Johnston Road, Wan Chai

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. In March 2014, the Group completed the acquisition of the remaining interest in J SENSES from the Urban Renewal Authority.

Mainland China

The Group has established a key presence in the Pearl River Delta and Yangtze River Delta regions in Mainland China. Its property development projects are mainly located in Shanghai and Guangzhou. Despite policies and cooling measures introduced by the Central Government, the property market in Mainland China, particularly in first tier cities, remained positive.

(A) Current Major Development Properties

Shanghai and Nanjing

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

This unique luxury development is located in a traditional affluent residential area of Shanghai. The total GFA of this project is approximately 140,000 square metres, featuring 13 blocks of luxury residential buildings and upscale commercial facilities. Phase I of the project covering approximately 36,000 square metres GFA was completed in early 2013, and over 85% of the units have been sold.

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

Located in Wujing, Minhang District, this project has been developed into an integrated residential and commercial complex with a total GFA of approximately 172,000 square metres. The development was completed in late 2013. Over 85% of the residential units have been sold.

(iii) Grand Summit, Wulumuqi Road, Jingan District (100% 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 total GFA of approximately 100,000 square metres. The residential buildings have been topped out and will go on the market in 2014.

(iv) Qingpu District Project (100% owned)

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

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

This project 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 2016.

(vi) Site 7-7,Unit E18, Weifang Village Street, Pudong District (100% owned)

This newly-acquired site is located by the Huangpu River in Pudong, with a total GFA of approximately 14,200 square metres. It is situated in a prime location between the Lujiazui Financial Centre and the convention, exhibition and business zone of the World Expo headquarters. Upon completion, the residential development will enjoy scenic views of the Huangpu River. The project is in the planning and design stage and expected to reach completion in 2017.

(vii) Site G68, Maigao Qiao, Qixia District, Nanjing (100% owned)

This newly-acquired site covering a total GFA of approximately 142,800 square metres is located in a sophisticated community with a comprehensive range of facilities. The project, which enjoys panoramic views due to its elevated position, is in the planning and design stage and expected to reach completion in 2017.

Guangzhou and Dongguan

(viii) 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 the 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.

(ix) 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. Now completed, the project has sold over half of the residential units.

(x) Xinhuazhen, Huadu District, Guangzhou (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 73,000 square metres. Completed in late 2013. The project has sold nearly 80% of the residential units. The second and third phases totaling approximately 140,000 square metres are in the planning and design stage with a targeted completion in 2016.

(xi) Roadside of Wan Long Road, Xihu Village, Shilong Town, Dongguan (99% owned)

Located in the Xihu Village of Shilong Town, this project has a total GFA of approximately 202,000 square metres. It enjoys an expansive river frontage and is within walking distance of the new Dongguan station. Now in the planning and design stage, this residential development is scheduled for completion in 2016.

(xii) North side of Wan Long Road, Xihu Village, Shilong Town, Dongguan (99% owned)

This newly-acquired site is located at Xihu Middle Road, Shilong, Dongguan with a total GFA of 34,210 square metres. The Group plans to develop this site together with an adjacent site in (*xi*) into a large-scale residential and commercial complex. Enjoying a panoramic view of the East River, the site is close to the Guangshen Railway Station and is easily accessed via the Guanshen Express Highway, the East Dongguan Highway and the Shilong Station of the R2 Lightrail Line. The project is in the planning and design stage, with completion targeted for 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, the Group entered into an agreement to dispose its interest in the building for a consideration of approximately HK$440 million. The transaction was completed in September 2013, and the gain was recognised for the year.

Investment in Galaxy Entertainment Group Limited ("GEG")

The Group maintains a non-current investment of 162 million shares, or an approximately 3.9% interest, in GEG carried at fair market value. As of 31 December 2013, the share price of GEG was HK$69.5 compared with HK$30.3 as of 31 December 2012. The increase in fair value of approximately HK$6,369 million was directly recorded as an increase in reserve. This investment has materially increased the net asset position of the Group.

OUTLOOK AND STRATEGY

Global and Asian economy

The US and European economies continued to show varying degrees of recovery in 2013, albeit at a tepid pace. The recovery in the US encouraged the Federal Reserve Bank to start reducing its quantitative easing measures towards the end of 2013. However, despite the tapering, interest rates in the US are generally forecast not to increase until the middle of 2015. Europe's economies showed signs of stabilising and began embarking on the road to recovery.

Economic growth in the Mainland is expected to achieve its growth target of around 7.5% in 2014. This has provided support to the economies in the region, including the Hong Kong SAR. Hong Kong's economy grew by 2.9% in 2013 and is projected to grow by 3% to 4% in 2014. The expected growth is based on increasing local consumption, growing inbound visitor numbers, major infrastructure works and improving global demand. The unemployment rate is predicted to remain at low levels while inflation is likely to remain the same as last year.

The property market in Hong Kong and the Mainland

In Hong Kong, the effect of measures designed to cool the property market over the past 18 months continued to have an impact. Prices of new properties in 2013 were discounted to reflect increased tax liabilities and attract buyers. Transaction volumes were low, largely as a result of market uncertainties. The government's cooling measures are expected to stay for the foreseeable future, and the corresponding price corrections may continue for a little longer.

In the Mainland, the central government continued measures previously promulgated in the form of construction credits and mortgage tightening, price controls and home purchase restrictions in the major cities where we operate. However, despite these measures, property prices in major cities of the Mainland increased by double digits in 2013. Prices recently fetched at land auctions in the primary market remained high. We see no sign of these measures loosening. Given the expected economic growth and the reform measures introduced in the Third Plenum held last year, we are confident about the property sector's long term prospects in the Mainland.

Project sales and progress

In Hong Kong, we will continue to market existing stocks in Chantilly and in our Marinella, Providence Bay and Providence Peak joint venture projects. Our joint venture project Taipo TPTL201 is expected to be launched this year.

In Shanghai, we will continue to market existing stocks in Upstream Park and The Palace and expect to launch the Grand Summit luxury development in 2014. In Guangzhou, we expect to launch our Dongguan project, phase 2 in Guangzhou Huadu Jiahua Plaza and phases 2 and 3 in Xinhuazhen in Huadu District. We will continue to market our existing stocks in Le Palais, Jiangmen and phase 1 in Xinhuazhen in Huadu District.

Depending on its progress, Grand Summit in Shanghai may book its revenue at the end of this year or early next year. The revenue from phase 2 in Guangzhou Huadu Jiahua Plaza and phases 2 and 3 in Xiahuazhen in Huadu District will not be booked in 2014.

Asset turn
As the proportion of the sales floor area from the mass market projects increases, the development cycle has become more important in that a shorter cycle will help to ensure and enhance expected returns. We are therefore working to improve our design, planning and related early phase capabilities with a view to expediting the development process.

Land-bank replenishment
We have been active in replenishing our land bank in Hong Kong and the Pearl River and Yangtze River Delta areas, focusing on the residential segment with prudence and discipline. In the second half of 2013, we purchased a site in Shanghai Pudong district near the Huangpu River and another site in a mature community in Nanjing with good transport links for a total of over HK$2,900 million. In the first two months of 2014, we successfully acquired a small site adjacent to our existing Dongguan project and a site at the old Kai Tak airport for a total of just over HK$3,000 million. These brought our total acquisitions in the past 18 months to 9 sites totaling approximately HK$10,800 million. Our project pipeline will be secured by these acquisitions.

Recurring income
Our recurring income portfolio consists mainly of our Grade A office Shanghai K Wah Centre in Shanghai, prime commercial shops J SENSES in Hong Kong and a hotel/office development in Guangzhou. It is our intention to double the gross floor area of our recurring income portfolio of approximately 100,000 square metres in three to four years. We have just completed the acquisition of the remaining interest in J SENSES from the Urban Renewal Authority, and around 55,000 square metres in our two luxury developments in prime Shanghai locations, namely, The Palace and Grand Summit will be converted into serviced apartments for rental income purpose.

Conclusion
Our reputation in the market for quality and innovative projects, a visible project pipeline and the strategic initiatives mentioned above, together with our financial prudence and strength, will enable us to achieve our mission of bringing shareholders the best return for their investment.

REVIEW OF FINANCE

Financial Position
The financial position of the Group remained strong. Total funds employed were increased to HK$39 billion as of 31 December 2013 (2012: HK$31 billion). The number of issued shares of the Company increased to 2,712,152,918 as of 31 December 2013 (2012: 2,633,793,837) as a result of certain share options being exercised and the issue of a scrip dividend during the year.

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 2013, cash and bank deposits stood at HK$5,624 million, and total borrowings amounted to HK$9,598 million. Of the long-term bank borrowings, around 68% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totaling HK$6,029 million and HK$1,853 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 14% as of 31 December 2013 (2012: 21%).

In August 2013, the Group successfully arranged a syndicated loan of HK$3.3 billion 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. We also recently completed another syndicated loan of HK$3.98 billion in March 2014 by taking advantage of the favourable terms available in the market.

We also issued HK$450 million 7-year Fixed Rate Notes at attractive costs under our MTN programme through private placements in March 2014. These private placements have extended the maturity of our debt profile into the 7-year space.

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 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 2012 and a certain portion of the 5-year syndicated loan raised in August 2013.

Charges on Group Assets

As of 31 December 2013, 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$11,560 million (2012: HK$15,220 million) to banks to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2013, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, joint ventures and associated companies amounting to HK$12,748 million (2012: HK$9,825 million), HK$117 million (2012: HK$117 million) and HK$641 million (2012: HK$641 million), of which facilities totaling HK$6,184 million (2012: HK$6,285 million), HK$117 million (2012: HK$117 million) and HK$394 million (2012: HK$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK$158 million (2012: HK$154 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

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 organisations 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. Similarly, in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

SUSTAINABLE DEVELOPMENT

The Group focuses on customer needs and pursues the spirit of excellence through quality products and services. This is underpinned by the Group's commitment to research, design and innovation.

The Group creates developments that represent an ideal interplay of environment, design, craftsmanship, state-of-the-art facilities and innovative lifestyle features. Having set a new standard in green living, the Group's signature project Marinella has achieved the Platinum Rating on Final Assessment under the BEAM Plus NB V1.1 of the Hong Kong Green Building Council as well as other accolades. The Group has also incorporated environmentally-friendly practices in its day-to-day operations and continued to be a Saturn Partner of Friends of the Earth.

The Group is committed to enhancing quality of life and skills for its staff and building team spirit through recreational and training activities. The Group seeks to promote communication and interaction among internal departments while cascading its vision and mission to employees so that they develop a greater passion for their work and a stronger sense of belonging. Incentive and award schemes have also been set up to recognise the outstanding performance of staff.

The Group's approach to recruitment, training and talent retention helps develop the right people with the right capabilities. As part of its long-term talent development strategy, the Group introduced a People Development Programme that focuses on leadership and the visionary, functional and management capabilities of its people. The Group also provides development opportunities for employees by offering tailor-made training that meets their business and personal development needs.

The Group is committed to fulfilling its social responsibilities by aiding the underprivileged, promoting art and culture and supporting education. During the year, its volunteers visited senior citizens and children in Tin Shui Wai and Sham Shui Po. As the Honourary Patron of Opera Hong Kong, the Group has been an ardent supporter of local education and outreach programmes that build appreciation for the art of opera. The Group also sponsored a citywide writing contest to cultivate an interest in writing and reading.

Communication with investors takes the highest priority at the Group. The Group maintains a high level of transparency and keeps investors regularly informed of developments at the Company through its corporate website, press conferences, one-on-one meetings, site visits, roadshows and investor presentations.

During the year, the Group won a variety of awards from the investment community, including the Hong Kong Best Mid-Cap in Asia's Best Companies 2013 Poll conducted by *FinanceAsia*, a testament to the Group's corporate governance standards, transparency and business prospects.

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 Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("***Listing Rules***") on The Stock Exchange of Hong Kong Limited ("***HK Stock 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; 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 2012 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2013 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2013 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 ("***Model Code***") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all its Directors, the Company confirms that during the year ended 31 December 2013 all of 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 2013 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 2013 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 2013.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 12 June 2014 ("***2014 AGM***") a final scrip dividend (with a cash option) for the year ended 31 December 2013 of 10 HK cents per share, totaling HK$271,612,000, payable on 30 July 2014 to the shareholders whose names appear on the registers of members of the Company at the close of business on 24 June 2014 (2012: a final scrip dividend (with a cash option) of 10 HK cents per share totaling HK$263,998,000). Together with the interim scrip dividend (with a cash option) of 5 HK cents per share (2012: interim scrip dividend (with a cash option) of 5 HK cents per share), total dividends per share for the year ended 31 December 2013 is 15 HK cents (2012 total: 15 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2014 AGM and the HK Stock 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 30 July 2014 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

Entitlement to attend and vote at the 2014 AGM

The registers of members will be closed from 9 June 2014 to 12 June 2014, 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 2014 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on 6 June 2014.

Entitlement to Final Dividend

The registers of members will be closed from 20 June 2014 to 24 June 2014, 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 Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on 19 June 2014.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company's website (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("HKEx") (*www.hkexnews.hk*). The Company's 2013 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2014.

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, 26 March 2014