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If you have sold or transferred all your shares in K. Wah International Holdings Limited, you should at once hand this circular and the accompanying Form of Election (if any) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 173)

Executive Directors:

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*
(Chairman and Managing Director)
Mr. Francis Lui Yiu Tung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*
Mr. Alexander Lui Yiu Wah

Non-executive Directors:

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*
Dr. Robin Chan Yau Hing*, *GBS, LLD, JP*
Dr. William Yip Shue Lam*, *LLD*
Professor Poon Chung Kwong*, *GBS, PhD, DSc, JP*
Mr. Au Man Chu*
Mr. Wong Kwai Lam*

* *Independent Non-executive Directors*

Registered Office:

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Hamilton HM 12
Bermuda

Principal Place of Business in Hong Kong:

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K. Wah Centre
191 Java Road
North Point
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15 June 2012

To the Shareholders,

Dear Sir or Madam,

FINAL SCRIP DIVIDEND WITH CASH OPTION FOR THE YEAR ENDED 31 DECEMBER 2011

Introduction

On 22 March 2012, the board of directors ("**Board**") of K. Wah International Holdings Limited ("**Company**") had resolved to recommend that a final dividend for the year ended 31 December 2011 ("**Final Dividend**") of HK\$0.08 per issued share of the Company ("**Share**") be paid on 19 July 2012 to the shareholders of the Company ("**Shareholders**") whose names appear on the registers of members of the Company at the close of the business on 8 June 2012. It was also resolved by the Board that the Final Dividend shall be satisfied by way of scrip dividend (with cash option). An ordinary resolution to approve the Final Dividend was passed by the Shareholders at the annual general meeting of the Company held on 30 May 2012. To determine the entitlement of the Shareholders to the Final Dividend, the registers of members of the Company was closed

from 6 June 2012 to 8 June 2012 (both dates inclusive) during which period no transfer of Shares will be registered. The latest date on which transfers were accepted for registration in order to qualify for the Final Dividend was before 4:30 p.m. on 5 June 2012.

Particulars of the Final Dividend

Shareholders have the following choices in respect of the satisfaction of the Final Dividend:

- (i) an allotment and issue of new Shares ("**New Shares**") credited as fully paid and having an aggregate Discounted Market Value (as defined below) equal to the total amount of Final Dividend which Shareholders could elect to otherwise receive in cash in the amount of HK\$0.08 per Share, subject to any fractional entitlement being disregarded as mentioned below; or
- (ii) payment of Final Dividend of HK\$0.08 per Share held on 8 June 2012 in cash; or
- (iii) partly by allotment and issue of New Shares and partly by payment of cash.

For the purpose of calculating the number of New Shares to be allotted and issued, the discounted market value ("**Discounted Market Value**") of a New Share means the average of the closing prices of one Share on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") for the trading days from 18 June 2012 to 22 June 2012 (both dates inclusive), less 5% discount, rounding down such figure to four decimal places. It will not be possible to determine until the close of business on 22 June 2012 the exact number of New Shares to which a Shareholder, electing to receive New Shares, will be entitled. The Company will make an announcement, including information about the Discounted Market Value for the purpose of calculating the number of New Shares to be allotted by way of scrip dividend. The announcement will be made available on the websites of the Company and the Stock Exchange on 22 June 2012. **The last day on which Shareholders will be entitled to elect how they wish to receive their entitlement to the Final Dividend is 6 July 2012.**

Accordingly, the number of New Shares which Shareholders will receive, in respect of the existing Shares registered in their names as at 8 June 2012 and for which elections to receive the Final Dividend in cash are not lodged with the Company's branch share registrars in Hong Kong on or before 6 July 2012, will be calculated as follows:

$$\begin{array}{l} \text{Number of New Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of existing Shares} \\ \text{held on 8 June 2012 for} \\ \text{which cash election is not made} \end{array} \times \frac{\text{HK\$0.08}}{\text{Discounted Market Value}}$$

The New Shares to be issued pursuant to the scrip dividend arrangements will rank pari passu in all respects with the existing issued Shares, except for the Final Dividend and will rank in full for all future dividends and distributions which may be declared, made or paid. No Shareholder will be entitled to be issued any fraction of a Share under the scrip dividend arrangements and the number of New Shares to be issued to each Shareholder (other than those who elect to receive their full entitlement to the Final Dividend in cash) shall be rounded down to the nearest whole number. Fractional entitlements to Shares will be disregarded and the benefit thereof will accrue to the Company.

Advantage of the Scrip Dividend

The election by Shareholders to receive the Final Dividend in whole or in part in the form of New Shares will enable Shareholders to increase their holdings of Shares without incurring brokerage fees, dealing costs or stamp duty. The Company will also benefit because, to the extent that Shareholders elect to receive New Shares, in whole or in part, such cash as would otherwise have been paid to Shareholders will be retained for use as working capital by the Company.

Effect of the Scrip Dividend

If elections to receive the Final Dividend in cash were received in respect of all the existing Shares registered as at 8 June 2012, the total cash dividend payable by the Company would be approximately HK\$206,152,000 based on 2,576,902,149 Shares in issue as at 8 June 2012.

Shareholders should note that the issue of the New Shares may give rise to notification requirements under the Securities and Futures Ordinance for those Shareholders who may have notifiable interests in the Company. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.

The Company, being an exempted company incorporated in Bermuda, has been designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or any of its operations or Shares, debentures or other obligations of the Company provided that such assurance shall not be construed as to

- (i) prevent the application of any such tax or duty to such persons as are ordinarily resident in Bermuda; or
- (ii) prevent the application of any tax payable in accordance with the provisions of the Land Tax Act, 1967 or otherwise payable in relation to the land leased to the Company.

Form of Election

Enclosed is a Form of Election. **No action is required if you wish the Final Dividend which you are entitled to receive to be wholly satisfied by an allotment of New Shares on the abovementioned basis. Otherwise, if you wish to receive such dividend wholly in cash in lieu of New Shares, or partly in cash with the balance satisfied by an allotment of New Shares, you must complete the enclosed Form of Election in accordance with the instructions printed thereon and lodge it with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 July 2012.** If you have signed the Form of Election but do not specify the number of Shares in respect of which you wish to receive the Final Dividend in cash or, if you elect to receive the Final Dividend in cash in respect of a greater number of Shares than your registered holding, then in either case you will be deemed to have exercised your election to receive the Final Dividend in cash in lieu of New Shares in respect of all the Shares registered in your name(s) at the close of business on 8 June 2012. No acknowledgement of receipt of Form of Election will be issued. The Form of Election also enables you to elect to receive all future dividends wholly in cash in lieu of New Shares until notice in writing to cancel such election is received by the branch share registrar of the Company. Permanent elections cannot be made in respect of part of your registered holding of Shares.

The Form of Election has not been sent to Shareholders who have previously made a permanent election to receive all future dividends wholly in cash. These Shareholders will receive cash in lieu of New Shares for all the Shares registered in their names at the close of business on 8 June 2012, without having to complete any further Form of Election. Any Shareholder wishing to change these existing permanent elections should contact the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the abovementioned address, before 4:30 p.m. on 6 July 2012.

Unless Shareholders have previously made a permanent election to receive future dividends wholly in cash, failure to complete and return the Form of Election in accordance with the instructions printed thereon will result in the Shareholders' Final Dividend being paid wholly in the form of New Shares.

Shareholders Resident Outside Hong Kong

All Shareholders resident outside Hong Kong should consult their bankers or other professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive Shares in satisfaction of the Final Dividend. No person receiving in any territory outside Hong Kong a copy of this circular and/or a Form of Election may treat the same as an offer to elect to receive the New Shares unless in the relevant territory such offer could lawfully be made to him without the Company having to comply with any registration or other legal, regulatory or governmental requirements or similar formalities.

This circular and Form of Election will not be registered in Hong Kong or any other jurisdiction. The Shares have not been registered under the applicable securities legislation of any jurisdictions other than Hong Kong. The Company has made enquiries with legal advisers where its overseas Shareholders are based regarding legal restrictions and regulatory requirements on the election of Shareholders resident outside Hong Kong to receive the Final Dividend in the form of New Shares arrangements as required by rule 13.36(2) of the Rules Governing the Listing of Securities on the Stock Exchange. Since registration or filing or other procedures will need to be carried out to comply with the relevant securities legislations of the United Kingdom and the United States of America ("**Excluded Jurisdictions**") and/or the costs of complying with the requirements in each Excluded Jurisdiction will materially exceed any potential benefit to the Company of doing so, the Directors consider that it would be necessary and expedient to exclude Shareholders with registered addresses in the Excluded Jurisdictions ("**Excluded Shareholders**") from the arrangements to allow Shareholders to receive the Final

Dividend in the form of New Shares as it would be impractical to comply with such procedures in these countries given the small Shareholder base. Accordingly, the Form of Election will not be sent to the Excluded Shareholders and they will only receive this circular for information. Excluded Shareholders will receive their Final Dividend wholly in cash.

Apart from the Excluded Shareholders, according to the Company's registers of members, there are other Shareholders whose registered addresses are outside Hong Kong but not within the Excluded Jurisdictions ("**Non Excluded Overseas Shareholders**"). Based on the advice of legal advisers where such Non Excluded Overseas Shareholders are based, the Non Excluded Overseas Shareholders are allowed to participate in the arrangements to receive the Final Dividend in the form of New Shares. It is the responsibility of any Shareholders outside Hong Kong who wishes to receive New Shares under the scrip dividend arrangements to comply with the laws of the relevant jurisdictions including obtaining all necessary governmental or other regulatory consents and compliance with any other similar formalities. It is also the responsibility of any Shareholders outside Hong Kong who receive New Shares in lieu of the cash dividend comply with any restrictions on the resale of the Shares which may apply outside Hong Kong.

Listing and Dealings

Shares issued by the Company have been admitted as eligible securities for deposit and settlement in the Central Clearing and Settlement System ("**CCASS**") established and operated by Hong Kong Securities Clearing Company Limited. Dealings in the Shares may be settled through CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no any part of equity or debt securities of the Company is listed or dealt in on the Stock Exchange or any other stock exchange nor is listing or permission to deal is being or is proposed to be sought. The issue of the New Shares is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the New Shares. An application has been made to the Stock Exchange for the listing of and permission to deal in the New Shares to be issued pursuant to the scrip dividend arrangements. It is expected that share certificates in respect of such New Shares and dividend warrants will be posted at the risk of those entitled thereto on or before 19 July 2012 and dealings in such New Shares is expected to commence on 23 July 2012. In the unlikely event that the New Shares are not admitted to listing by the Stock Exchange before 19 July 2012, the Forms of Election will be disregarded and the full cash dividend will be paid to the entitled Shareholders according to their registered shareholdings.

Recommendation and Advice

It is the Shareholders' responsibility to decide in this regard whether or not to exercise their rights to receive the Final Dividend in cash in lieu of New Shares. Whether or not it is to the Shareholders' advantage to receive cash or New Shares, in whole or in part, depends upon their own individual circumstances. The effect on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to take professional advice as to whether the choice to receive cash or New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
Dr. Che-woo Lui
Chairman & Managing Director