

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 173)

Continuing Connected Transaction

References are made to (i) the Joint Announcement dated 6 March 1997 in relation to the Contract and (ii) the Circular dated 30 June 2005 in relation to the Acquisition.

Upon Completion, GEG has become a connected person of the Company and the Guarantee granted by the Company in favour of the Government in March 1997 in respect of the performance by KWP Quarry, a subsidiary of GEG, of its obligations under the Contract will constitute a continuing connected transaction of the Company under the Listing Rules. The granting of the Guarantee by the Company is therefore subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules.

References are made to (i) the Joint Announcement dated 6 March 1997 in relation to the Contract and (ii) the Circular dated 30 June 2005 in relation to the Acquisition.

Background

In 1997, GEG acquired from the Company certain construction materials businesses which included, amongst others, the Company's entire interest in K. Wah Quarry, details of which are set out in the joint announcement issued by the Company and GEG dated 24 February 1997. K. Wah Quarry and Pioneer respectively holds 63.5% and 36.5% interest in KWP Quarry.

The Contract

In March 1997, KWP Quarry was awarded the Contract by the Government and the Guarantors executed the Guarantee on 5 March 1997 in favour of the Government in respect of the performance by KWP Quarry of its obligations under the Contract.

A counter indemnity was separately entered into amongst the Pioneer Parties and the K. Wah Parties to the intent and effect that as between the Pioneer Parties and the K. Wah Parties, liabilities under the Guarantee will be borne by them in proportions equivalent to their respective interests in KWP Quarry. In addition, on 5 March 1997, GEG also gave an indemnity to the Company against, inter alia, its liability under the Guarantee up to an amount proportionate to K. Wah Quarry's interest in KWP Quarry. With such arrangements, the liability of the Company under the Guarantee is fully covered by indemnities from other parties. Details of the Guarantee and the indemnities were set out in the Joint Announcement.

The Guarantee

Under the Guarantee, the Guarantors have guaranteed to the Government the due and punctual performance by KWP Quarry of all its obligations, duties, undertakings and liabilities under and in accordance with the terms and conditions of the Contract. The Guarantors have also agreed, inter alia, to indemnify the Government against all losses, damages, costs and expenses suffered or incurred by the Government arising by reason of any act, default or omission on the part of (i) KWP Quarry in performing and observing KWP Quarry's obligations under and in connection with the Contract and (ii) the Guarantors in performing and observing the Guarantors' obligations under the provisions of the Guarantee.

Continuing Connected Transaction

Upon Completion, GEG ceased to be a subsidiary of the Company and has become a connected person of the Company since it is an associate of the Trusts which collectively are in turn a substantial Shareholder. The Trusts hold approximately 39.16% and 52.17% interest in GEG and the Company respectively.

Accordingly, the Guarantee granted by the Company in respect of the performance by KWP Quarry, a subsidiary of GEG, of its obligations under the Contract will constitute a continuing connected transaction of the Company under the Listing Rules and is subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules.

The Group is principally engaged in property development and investment in Mainland China, Hong Kong and South East Asia. The Guarantee, the execution of which was a condition for the grant of the Contract, was given by the Company back in 1997 when it controlled GEG. With the counter indemnity and the indemnity arrangements in place, any liability of the Company under the Guarantee is fully covered by the Pioneer Parties and by GEG. The Company has approximately 18.7% equity interest in GEG, the business of which includes the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China. Having taking into account the matters disclosed above and the circumstances, the Directors (including the independent non-executive Directors) are of the view that it is in the interests of the Company and the Shareholders as a whole to continue with the Guarantee the terms of which are fair and reasonable in the circumstances.

The Company will comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements set out in Chapters 14 and 14A of the Listing Rules should there be any change in the terms of the Guarantee.

DEFINITIONS

The following expressions shall, unless the context otherwise requires, have the following meanings in this announcement:

“Acquisition”	the acquisition by GEG of interests in Galaxy Casino, S.A. as described in the Circular
“Board”	the board of Directors

“Circular”	the joint circular issued by the Company and GEG dated 30 June 2005 in relation the Acquisition
“Company”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition which took place on 22 July 2005
“Contract”	Contract No. GE/96/10 awarded by the Government to KWP Quarry on 5 March 1997 for the quarrying rights and the rehabilitation of the quarry at Tai Sheung Tok, Anderson Road, Kowloon, Hong Kong
“connected” and “connected persons”	the meanings given to them in the Listing Rules
“Directors”	directors of the Company
“GEG”	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries
“Guarantee”	a joint and several guarantee executed by the Guarantors on 5 March 1997 in favour of the Government in respect of the performance by KWP Quarry of its obligations under the Contract
“Guarantors”	the Company, K. Wah Quarry, Pioneer International and Pioneer
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons
“Joint Announcement”	the joint announcement dated 6 March 1997 issued by the Company and GEG (then known as International Pipe Limited) in relation to, among other things, the Contract
“K. Wah Parties”	the Company and K. Wah Quarry
“K. Wah Quarry”	K. Wah Quarry Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of GEG

“KWP Quarry”	KWP Quarry Co. Limited, a company incorporated in Hong Kong with limited liability and held as to 63.5% by K. Wah Quarry and 36.5% by Pioneer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pioneer”	Pioneer Quarries (Hong Kong) Limited, an Independent Third Party (not taking into account its direct interest in KWP Quarry)
“Pioneer International”	Pioneer International Limited, the holding company of Pioneer when the Guarantee was executed and an Independent Third Party (not taking into account its indirect interest in KWP Quarry)
“Pioneer Parties”	Pioneer and Pioneer International
“Shareholder(s)”	holder(s) of share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trusts”	the discretionary family trusts established by Dr. Lui Che Woo, a director of the Company and GEG, as the founder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

As at the date of this announcement, the executive Directors are Dr. Lui Che Woo (Chairman), Mr. Francis Lui Yiu Tung, Mr. Eddie Hui Ki On, Mr. Lennon Lun Tsan Kau, Mr. William Lo Chi Chung and Ms. Paddy Tang Lui Wai Yu; the non-executive Directors are Mr. Michael Leung Man Kin and Dr. Philip Wong Kin Hang; and the independent non-executive Directors are Sir David Akers-Jones, Dr. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun and Mr. Robert George Nield.

By Order of the Board of
K. Wah International Holdings Limited
Ricky Chan Ming Tak
Company Secretary

Hong Kong, 10 November 2006