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**K. WAH INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 173)**



**K. WAH CONSTRUCTION MATERIALS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 27)**

**CONTINUING CONNECTED TRANSACTIONS  
ENTERING INTO OF TENANCY AGREEMENTS**

The Landlord entered into the Tenancy Agreements with the Tenants respectively on 2 June 2005, pursuant to which the Landlord agreed to lease the Properties to the Tenants for a term of 3 years commencing from 1 June 2005. The aggregate annual rental receivable by the Landlord and payable by the Tenants under the Tenancy Agreements for each of the four financial years ending 31 December 2008 will be approximately HK\$1,175,430, HK\$2,015,020, HK\$2,015,020 and HK\$839,590, respectively, which will also be the annual caps in respect of the Tenancy Agreements for each of the respective financial years.

The Landlord is an indirect non wholly-owned subsidiary of KWIH. The Tenants are indirect subsidiaries of KWCM. Following the completion of the Acquisition on 22 July 2005, KWCM became indirectly held as to approximately 35.44% by the Trusts. KWIH is held as to 53.80% by the Trusts. Accordingly, the Landlord is a connected person of KWCM and the Tenants became connected persons of KWIH and the Tenancies became continuing connected transactions of both KWIH and KWCM under the Listing Rules.

The terms of the Tenancy Agreements were negotiated and arrived at on an arm's length basis and in the ordinary and usual course of business with reference to the prevailing market leasing terms and conditions. The directors of KWIH and KWCM, including the independent non-executive directors of KWIH and KWCM, consider that the terms of the Tenancy Agreements are on normal commercial terms and are fair and reasonable and in the interests of KWIH and KWCM and their respective shareholders as a whole.

As the relevant percentage ratios in respect of the aggregate annual rental receivable by the Landlord and payable by the Tenants under the Tenancy Agreements are greater than 0.1% but less than 2.5%, the Tenancies are only subject to the annual review, reporting and announcement requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

**1. INTRODUCTION**

The Landlord entered into the Tenancy Agreements with the Tenants respectively on 2 June 2005, details of which are more particularly disclosed below.

## 2. THE TENANCY AGREEMENTS

The principal terms of the Tenancy Agreements are as follows:

### (a) 1st Tenancy Agreement

Date : 2 June 2005

Parties : (1) Jia Hui Da Real Estate Development Co., Ltd. Shanghai  
(上海嘉滙達房地產開發經營有限公司) as landlord  
  
(2) Shanghai Jiajian Concrete as tenant

Property : Unit 1802, Shanghai K. Wah Centre, No. 1010 Huaihai Zhong Road,  
Xuhui District, Shanghai, the PRC

Gross floor area : about 410.21 square metres

Term : three years from 1 June 2005 to 31 May 2008, both days inclusive

Monthly rental : US\$9,857 (equivalent to approximately HK\$76,884.60), exclusive of  
management fee which will be receivable by a management  
company, an Independent Third Party

Use of the Property : office premises of Shanghai Jiajian Concrete

### (b) 2nd Tenancy Agreement

Date : 2 June 2005

Parties : (1) Jia Hui Da Real Estate Development Co., Ltd. Shanghai  
(上海嘉滙達房地產開發經營有限公司) as landlord  
  
(2) Shanghai Xin Cai Concrete as tenant

Property : Unit 1803, Shanghai K. Wah Centre, No. 1010 Huaihai Zhong Road,  
Xuhui District, Shanghai, the PRC

Gross floor area : about 118.89 square metres

Term : three years from 1 June 2005 to 31 May 2008, both days inclusive

Monthly rental : US\$2,857 (equivalent to approximately HK\$22,284.60), exclusive of  
management fee which will be receivable by a management  
company, an Independent Third Party

Use of the Property : office premises of Shanghai Xin Cai Concrete

### (c) 3rd Tenancy Agreement

Date : 2 June 2005

Parties : (1) Jia Hui Da Real Estate Development Co., Ltd. Shanghai  
(上海嘉滙達房地產開發經營有限公司) as landlord

(2) Shanghai Jia Shen Concrete as tenant

Property : Unit 1804, Shanghai K. Wah Centre, No. 1010 Huaihai Zhong Road, Xuhui District, Shanghai, the PRC

Gross floor area : about 366.82 square metres

Term : three years from 1 June 2005 to 31 May 2008, both days inclusive

Monthly rental : US\$8,814 (equivalent to approximately HK\$68,749.20), exclusive of management fee which will be receivable by a management company, an Independent Third Party

Use of the Property : office premises of Shanghai Jia Shen Concrete

### 3. ANNUAL CAPS

Taking into account of the following aggregate annual rental receivable by the Landlord and payable by the Tenants in cash on a monthly basis under the Tenancy Agreements for each of the four financial years ending 31 December 2008, the annual caps in respect of the Tenancy Agreements will be the same as the aggregate annual rental for each of the respective financial years:

	For the year ending 31 December			
	2005	2006	2007	2008
	HK\$	HK\$	HK\$	HK\$
Approximate aggregate annual rental (i.e. the annual caps)	1,175,430	2,015,020	2,015,020	839,590

### 4. RELATIONSHIP BETWEEN THE PARTIES

#### (a) The KWIH Group

KWIH is an investment holding company and the KWIH Group is principally engaged in the business of property investment and development in Hong Kong and mainland China as well as investment holding in KWCM.

#### (b) The Landlord

The Landlord is a sino-foreign equity joint venture established in the PRC on 22 December 1993 and an indirect non wholly-owned subsidiary of KWIH principally engaged in the business of property development and investment. The equity interest in the Landlord is owned as to 55% by Chely Well and as to 30% and 15% by Independent Third Parties (save for being substantial shareholders of the Landlord) respectively. Chely Well is a 65% owned subsidiary of KWIH and its principal activity is investment holding. The balance of the 35% equity interest in Chely Well is currently held as to 28% and 7% by the Independent Third Parties (save for the shareholder holding 28% interests being a substantial shareholder of Chely Well). Accordingly, KWIH has an effective 35.75% attributable equity interest in the Landlord which is consolidated in KWIH's accounts and is treated as a subsidiary of KWIH.

#### (c) KWCM

KWCM is an investment holding company and the KWCM Group is principally engaged in the business of the manufacture, sale and distribution of construction materials in Hong Kong and

mainland China. Following the completion of the Acquisition on 22 July 2005, the KWCM Group is also engaged in the entertainment and hospitality businesses in Macau. Upon the completion of the Acquisition, the shareholding of KWIH in KWCM was reduced from 59% to 25.95% and KWCM ceased to be a subsidiary of KWIH.

**(d) The Tenants**

Shanghai Jiajian Concrete is an indirect 60% owned subsidiary of KWCM, which is a company principally engaged in the business of manufacture, sale and distribution of ready-mixed concrete. The remaining 40% of the equity interest in Shanghai Jiajian Concrete is held by Independent Third Parties.

Shanghai Xin Cai Concrete is an indirect 99% owned subsidiary of KWCM, which is a company principally engaged in the business of manufacture, sale and distribution of ready-mixed concrete. The remaining 1% of the equity interest in Shanghai Xin Cai Concrete is held by an Independent Third Party.

Shanghai Jia Shen Concrete is an indirect wholly-owned subsidiary of KWCM, which is a company principally engaged in the business of manufacture, sale and distribution of ready-mixed concrete.

Following completion of the Acquisition on 22 July 2005, KWCM became indirectly held as to approximately 35.44% by the Trusts, being the substantial shareholders of KWIH and therefore connected persons of KWIH under the Listing Rules. As Shanghai Jiajian Concrete, Shanghai Xin Cai Concrete and Shanghai Jia Shen Concrete are subsidiaries of KWCM and therefore associates of the Trusts, they are also connected persons of KWIH pursuant to the Listing Rules.

The present shareholding of KWIH in KWCM is approximately 25.93%. KWIH is also held as to 53.80% by the Trusts, being the substantial shareholders of KWCM. The Landlord, being the subsidiary of KWIH, is also a connected person of KWCM.

**5. REASONS AND BENEFITS OF THE TENANCY AGREEMENTS**

For KWIH

The Tenancy Agreements would provide stable recurrent income for the Landlord in which the KWIH Group has interests.

For KWCM

On the other hand, before the entering into of the Tenancy Agreements, Shanghai Xin Cai Concrete and Shanghai Jia Shen Concrete were leasing properties (total gross floor area of about 1,099 square metres) in other non-prime locations in Shanghai from Independent Third Parties for their own use as office premises while expanding their business and operations in the PRC. Having considered the practical needs of the Tenants and following the expiry of the respective leases in early March 2005 (which were then renewed on a monthly basis), the Tenants considered to be in their interests to relocate from their then office premises to the recently completed Shanghai K. Wah Centre, the flagship office building of the KWIH Group in Shanghai, with a view to enhancing their working efficiency and goodwill as a whole. The KWCM Group considers that by centralizing the senior management of the subsidiaries of the KWCM Group will enhance the efficiency in managing the KWCM Group.

The terms of the Tenancy Agreements and the respective monthly rentals thereof were negotiated and arrived at on an arm's length basis and in the ordinary and usual course of business with reference to the prevailing market leasing terms and conditions and no less favourable to the Landlord or the Tenants than to those available to or offered by Independent Third Parties.

The respective directors of KWIH and KWCM, including the independent non-executive directors of KWIH and KWCM, consider that the terms of the Tenancy Agreements are on normal commercial terms and are fair and reasonable and in the interests of KWIH and KWCM and their respective shareholders as a whole.

## **6. LISTING RULES IMPLICATIONS**

As disclosed in the paragraph headed "Relationship between the parties" above, the Landlord is a connected person of KWCM and following completion of the Acquisition on 22 July 2005, the Tenants became connected persons of KWIH under the Listing Rules. Accordingly, the Tenancies between the Landlord and the respective Tenants became continuing connected transactions of both KWIH and KWCM pursuant to Chapter 14A of the Listing Rules.

As the relevant percentage ratios under Rule 14A.34 of the Listing Rules in respect of the aggregate annual rental receivable by the Landlord or payable by the Tenants under the Tenancy Agreements are greater than 0.1% but less than 2.5%, the entering into of the Tenancy Agreements is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

Details of each of the Tenancy Agreements will be disclosed in the published annual report and accounts of each of KWIH and KWCM for each of the four financial years ending 31st December 2008 in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. The independent non-executive directors and the auditors of each of KWIH and KWCM will also perform annual review of the transactions under the Tenancy Agreements in accordance with Rules 14A.37 to 14A.40 of the Listing Rules. Each of KWIH and KWCM will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate annual rental receivable by the Landlord or payable by the Tenants under the Tenancy Agreements during each of the four financial years ending 31 December 2008 exceeds the relevant annual caps, or when the relevant Tenancy Agreement is renewed or there is a material change to the terms of the Tenancy Agreements.

## **7. DEFINITIONS**

In this announcement, the following expressions have their respective meanings set out below unless the context requires otherwise.

"1st Tenancy Agreement"	the tenancy agreement dated 2 June 2005 and entered into between the Landlord and Shanghai Jiajian Concrete
"2nd Tenancy Agreement"	the tenancy agreement dated 2 June 2005 and entered into between the Landlord and Shanghai Xin Cai Concrete
"3rd Tenancy Agreement"	the tenancy agreement dated 2 June 2005 and entered into between the Landlord and Shanghai Jia Shen Concrete

“Acquisition”	the acquisition of 88.1% of the voting shares carrying 97.9% of the economic interest in Galaxy Casino, S.A. by a subsidiary of KWCM as disclosed in the joint announcement of KWIH and KWCM dated 18 April 2005 and the joint circular of KWIH and KWCM dated 30 June 2005
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of directors
“Chely Well”	Chely Well Limited, a company incorporated in Hong Kong on 13 August 1992 and an indirect 65% owned subsidiary of KWIH
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) who and whose ultimate beneficial owner, to the best knowledge, information and belief of the directors of KWIH or KWCM having made all reasonable enquiries, is a/are third party(ies) independent of and not connected with KWIH or KWCM, any director, chief executive or substantial shareholder of KWIH or KWCM or any of their respective subsidiaries or their respective associates and the connected persons of KWIH or KWCM
“KWCM”	K. Wah Construction Materials Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange and became an indirect 25.95% owned associated company of KWIH upon completion of the Acquisition
“KWCM Group”	KWCM and its subsidiaries
“KWIH”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“KWIH Group”	KWIH and its subsidiaries
“Landlord”	Jia Hui Da Real Estate Development Co., Ltd. Shanghai (上海嘉滙達房地產開發經營有限公司), a sino-foreign equity joint venture established in Shanghai, the PRC and an indirect non wholly-owned subsidiary of KWIH, being the landlord of the Properties. The equity interest in the Landlord is owned as to 55% by Chely Well and as to 30% and 15% by Independent Third Parties respectively
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC

“PRC”	The People’s Republic of China
“Properties”	Units 1802-1804, Shanghai K. Wah Centre, No. 1010 Huaihai Zhong Road, Xuhui District, Shanghai, the PRC; and the relevant portion of the Properties, the “Property”
“Shanghai Jia Shen Concrete”	Shanghai Jia Shen Concrete Co. Ltd. (上海嘉申混凝土有限公司), a company established in the PRC on 24 July 1998 and an indirect wholly-owned subsidiary of KWCM
“Shanghai Jiajian Concrete”	Shanghai Jiajian Concrete Co. Ltd. (上海嘉建混凝土有限公司), a company established in the PRC on 23 June 1998 and an indirect 60% owned subsidiary of KWCM. The remaining 40% of the equity interest in Shanghai Jiajian Concrete is held by Independent Third Parties
“Shanghai K. Wah Centre”	an approximately 69,000 square-metre development comprising a high rise grade A office tower located in the inner ring area of Shanghai, the PRC and in the heart of the thriving downtown Huaihai Road commercial area, which is wholly and beneficially owned by the Landlord
“Shanghai Xin Cai Concrete”	Shanghai Xin Cai Concrete Co. Ltd. (上海信財混凝土有限公司), a company established in the PRC on 24 June 1997 and an indirect 99% owned subsidiary of KWCM. The remaining 1% of the equity interest in Shanghai Xin Cai Concrete is held by an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	the 1st Tenancy Agreement, the 2nd Tenancy Agreement and the 3rd Tenancy Agreement
“Tenancies”	the tenancies that are the subject of the Tenancy Agreements
“Tenants”	Shanghai Jia Shen Concrete, Shanghai Jiajian Concrete and Shanghai Xin Cai Concrete, all are indirect subsidiaries of KWCM
“Trusts”	the discretionary family trusts established by Dr. Lui Che Woo, a director of KWIH and KWCM, as the founder
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this announcement:*

- (1) the exchange rate of US\$1=HK\$7.80 has been used; and*
- (2) certain English translations of Chinese names or words in this announcement are included for information purpose only, and should not be relied upon as the official translation of such Chinese names or words.*

By Order of the Board of  
**K. Wah International Holdings Limited**  
**Seaman Kwok Siu Man**  
*Company Secretary*

By Order of the Board of  
**K. Wah Construction Materials Limited**  
**Kitty Chan Lai Kit**  
*Company Secretary*

Hong Kong, 23 August 2005

*As at the date of this announcement, the executive directors of KWIH are Dr. Lui Che Woo (Chairman), Mr. Francis Lui Yiu Tung, Mr. Lennon Lun Tsan Kau, Mr. Eddie Hui Ki On, Mr. William Lo Chi Chung and Ms. Paddy Tang Lui Wai Yu, the non-executive directors of KWIH are Mr. Michael Leung Man Kin and Dr. Philip Wong Kin Hang and the independent non-executive directors of KWIH 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.*

*As at the date of this announcement, the executive directors of KWCM are Dr. Lui Che Woo (Chairman), Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. Joseph Chee Ying Keung, Mr. William Lo Chi Chung and Ms. Paddy Tang Lui Wai Yu, the non-executive director of KWCM is Mr. Moses Cheng Mo Chi and the independent non-executive directors of KWCM are Dr. Charles Cheung Wai Bun, Mr. James Ross Ansell and Dr. William Yip Shue Lam.*