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## **K. WAH INTERNATIONAL HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(stock code: 173)**

### **DISTRIBUTION IN SPECIE OF THE COMPANY'S KWCM SHARES**

The Board is pleased to announce that it has declared a special interim dividend on 14 September 2005 to be satisfied by way of a distribution in specie of the KWCM Shares held by the Company in the proportion of one KWCM Share for every ten Shares held by the Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date. Fractional entitlements are to be disregarded.

The Company currently owns an aggregate of 852,775,351 KWCM Shares, representing approximately 25.92% of the issued share capital of KWCM. As at the date of this announcement, there are 2,349,109,718 Shares in issue. On the basis that there is no change in the issued share capital of the Company up to the Record Date, an aggregate of 234,910,971 KWCM Shares will be distributed pursuant to the Distribution. Further, as at the date of this announcement, there are (i) outstanding share options of the Company which entitle grantees to subscribe for a total of 18,726,000 Shares; and (ii) outstanding KWIH Bonds which entitle holders to convert the same into a total of 59,555,555 Shares. Assuming all these outstanding share options are exercised and all the KWIH Bonds are converted into Shares on or before 4:00 p.m. on 13 October 2005, being the latest time for lodging transfer of the Shares in order to qualify for entitlement pursuant to the Distribution, there will be 2,427,391,273 Shares in issue and accordingly, an aggregate of 242,739,127 KWCM Shares will be distributed pursuant to the Distribution.

#### **1. INTRODUCTION**

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The Distribution will not be made to the Overseas Shareholders in the event that the Directors, upon making enquiry, consider such exclusion to be necessary or expedient on account of either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places and accordingly, such Overseas Shareholders will not receive the KWCM Shares pursuant to the Distribution. Instead, arrangements will be made for the KWCM Shares which would otherwise have been distributed to such Overseas Shareholders to be sold in the market as soon as practicable after the posting of the share certificates of the Distribution Shares and any proceeds of sale will be distributed in Hong Kong dollars to such persons pro rata to their entitlements (except that amounts of less than HK\$100 payable to the respective Shareholders will be retained for the benefit of the Company).

The aggregate market value of the KWCM Shares to be distributed under the Distribution as at the date of this announcement is HK\$1,268,519,243.40, which equates to a dividend of approximately HK\$0.54 per Share before Distribution (on the assumption that there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date). The actual amount of dividends to be booked to the accounts of the Company will be determined based on the closing price of the KWCM Shares as at the date of posting the share certificates of the Distribution Shares.

The Distribution Shares are credited as fully paid and will rank pari passu in all respects with all other KWCM Shares in issue and with each other, save for any dividends/distributions declared, paid or made by KWCM before the Record Date. The Company will bear the stamp duty which may be payable as a result of the transfer of the Distribution Shares by the Company to the Qualifying Shareholders.

## 2. TENTATIVE TIMETABLE

Last day of dealings in the Shares on a cum-entitlement basis . . . . .	10 October 2005
Commencement of dealings in the Shares on an ex-entitlement basis . . . . .	12 October 2005
Latest time for lodging transfer of the Shares in order to qualify for entitlement pursuant to the Distribution . . . . .	4:00 p.m., 13 October 2005
Closure of the register and branch register of members of the Company . . . . .	14–21 October 2005
Record Date . . . . .	21 October 2005
Re-opening of the register and branch register of members of the Company . . . . .	24 October 2005
Posting of the share certificates of the Distribution Shares . . . . .	4 November 2005

*Note:* The above tentative timetable is an indication only. Should there be any change to the above tentative timetable, further announcement will be made by the Company as and when necessary.

## 3. EFFECTS OF THE DISTRIBUTION

As at the date of this announcement, the Company owns an aggregate of 852,775,351 KWCM Shares, representing approximately 25.92% of the issued share capital of KWCM and will, upon completion of the Distribution (on the assumption that there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date), own an aggregate of 617,864,380 KWCM Shares, representing approximately 18.8% of the issued share capital of KWCM. Currently, KWCM is an associated company of the Company, and the results of the KWCM Group will be accounted for in the consolidated financial statements of the Company. Following the Distribution, the Company's interest in KWCM will be reduced to 18.8%, and the Company will no longer equity account for the results of KWCM in its own consolidated financial statements. The Company will not share in the profit/loss (if any) in the results of the KWCM Group.

Given the different operating characteristics of the businesses of the Group, and the KWCM Group, the Distribution will enhance the transparency of the performance of their respective business operations, and enables the respective management teams of the Group and the KWCM Group to become focused on their respective business areas and to implement financing and business development plans according to their specific needs.

#### **4. BENEFITS TO THE SHAREHOLDERS AND BENEFITS TO THE COMPANY**

KWCM is now a major player in Macau gaming industry. The Distribution enables the Shareholders to hold a direct investment in the KWCM Shares, and to participate in the prospect of KWCM in the fast growing Macau gaming industry. The Distribution has the benefit of offering the Shareholders greater flexibility to diversify and plan their investments. This is especially so when the current share price of the Company does not fully reflect the value of the KWCM Shares held by it and the Distribution may increase the aggregate value of the Shareholders' combined investments in the Company and KWCM.

#### **5. INFORMATION ON THE COMPANY**

The Company is an investment holding company and the 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.

#### **6. INFORMATION OF 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. The KWCM Group is also engaged in the entertainment and hospitality businesses in Macau. The current shareholding of the Company in KWCM is approximately 25.92% and KWCM is an associated company of the Company.

#### **7. CLOSURE OF REGISTERS OF MEMBERS**

The register and branch register of members of the Company will be closed from 14 October 2005 to 21 October 2005, both days inclusive, during which period no Shares will be registered. For ascertaining Shareholders' entitlement to the Distribution, all share transfer documents together with the relevant share certificates must be lodged with the Company's branch share registrars, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on 13 October 2005.

#### **8. SHARE CERTIFICATES OF THE DISTRIBUTION SHARES**

Definitive certificates for the Distribution Shares are expected to be despatched by mail to the respective addresses of the Qualifying Shareholders, at their own risks, by no later than 4 November 2005. Fractional shares will not be issued but fractional entitlements will be aggregated and disposed of for the benefit of the Company.

## 9. DEFINITIONS

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

“Board”	the board of Directors
“Company”	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
“Director(s)”	the director(s) of the Company
“Distribution”	payment of a special interim dividend to be satisfied by way of a distribution in specie to the Shareholders registered on the register of members on the Record Date
“Distribution Shares”	the KWCM Shares to be distributed by the Company under the Distribution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 an associated company of the Company
“KWCM Group”	KWCM and its subsidiaries
“KWCM Shares”	shares of HK\$0.10 each in the capital of KWCM
“KWIH Bonds”	the HK\$864,260,000 (initial principal amount) 0.50% guaranteed convertible bonds due 2009 convertible into fully-paid Shares and issued by K. Wah International Finance Limited (a wholly-owned subsidiary of the Company) on 23 March 2004
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Overseas Shareholders”	Shareholders whose addresses as shown in the register of members in Bermuda and the Hong Kong branch register of members of the Company at the close of business on the Record Date are outside of Hong Kong
“Qualifying Shareholders”	Shareholders other than the Overseas Shareholders who will be excluded from receiving the KWCM Shares pursuant to the Distribution on account of either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places and accordingly
“Record Date”	the record date for ascertaining the entitlements of the Shareholders to participate in the Distribution
“Shareholders”	the shareholders of the Company

“Shares” shares of HK\$0.10 each in the capital of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Seaman Kwok Siu Man**  
*Company Secretary*

Hong Kong, 14 September 2005

*As at the date of this announcement, the executive Directors 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 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.*

*Please also refer to the published version of this announcement in (South China Morning Post)*