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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares or other securities.

**If you are in doubt** as to any aspect of this circular or as to the actions to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in K. Wah Construction Materials Limited, you should at once hand this circular and the accompanying proxy form 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.

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### K. WAH CONSTRUCTION MATERIALS LIMITED

嘉華建材有限公司

*(incorporated in Hong Kong with limited liability)*

(Stock Code: 27)

### CHANGE OF NAME CHANGE IN BOARD LOT SIZE AND REFRESHMENT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

**Independent financial adviser to the independent board committee  
and independent shareholders of K. Wah Construction Materials Limited**

COMMERZBANK

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A letter from the KWCM Independent Board Committee is set out on page 12 of this circular and a letter from Commerzbank AG (Hong Kong branch), the independent financial adviser to the KWCM Independent Board Committee and the KWCM Independent Shareholders, is set out on pages 13 to 18 of this circular.

A notice convening the EGM to be held on Wednesday, 12 October 2005 at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 3:00 p.m. is set out on pages 23 to 26 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of KWCM at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

16 September 2005

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms have the meanings set opposite them below.*

“Acquisition”	the acquisition by KWCM of the 838,719 Galaxy B Shares (representing 88.1% of the voting shares and carrying 97.9% of the economic interest) in Galaxy pursuant to the acquisition agreement dated 14 March 2005 as disclosed in the Joint Circular (which Acquisition was completed on 22 July 2005);
“Articles”	the articles of association of KWCM;
“associates”	the meaning ascribed to it in the Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Completion”	completion of the Acquisition;
“Consideration KWCM Shares”	1,840,519,798 new KWCM Shares issued on Completion by KWCM as part of the consideration for the Acquisition;
“Dr. Lui”	Dr. Lui Che Woo, a director of KWIH, KWCM and Galaxy;
“EGM”	the extraordinary general meeting of KWCM convened on 12 October 2005 for the purpose of approving the New Repurchase Mandate, the change of name and the New Issue Mandate, notice of which is set out on pages 23 to 26 of this circular;
“Employee Options”	those options to subscribe for an aggregate of 13,134,000 KWCM Shares granted pursuant to the employee share option schemes of KWCM adopted on 10 September 1996 and 30 May 2002 respectively and outstanding at the Latest Practicable Date, with exercise prices per KWCM Share ranging from HK\$0.514 to HK\$0.5333;
“Galaxy”	Galaxy Casino, S.A., a subsidiary of the Company and a company incorporated on 30 November 2001 in and organized under the laws of Macau with registered office at Avenida da Praia Grande, n <sup>o</sup> 409, Edifício China Law, 25 <sup>o</sup> andar, em Macau;
“Hong Kong” and “HK\$”	are, respectively, the Hong Kong Special Administrative Region of The People’s Republic of China, and Hong Kong dollars, the lawful currency of Hong Kong;
“IFA”	Commerzbank AG (Hong Kong branch), an authorized financial institution registered with the Hong Kong Monetary Authority licensed to carry out types 1, 4, 6 regulated activities (as set out in Schedule 5 of the SFO);
“Joint Circular”	the circular dated 30 June 2005 and issued jointly by KWCM and KWIH to their respective shareholders for the purpose of giving certain information on the Acquisition;
“KWCM” or the “Company”	K. Wah Construction Materials Limited, a company incorporated in Hong Kong with limited liability on 19 May 1987, the shares of which are listed on the main board of the Stock Exchange;
“KWCM Board”	the board of KWCM Directors;

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## DEFINITIONS

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“KWCM Directors”	the directors of KWCM;
“KWCM Group”	KWCM and its subsidiaries at the Latest Practicable Date;
“KWCM Independent Board Committee”	the independent committee of the KWCM Board established to advise KWCM Independent Shareholders on the New Issue Mandate;
“KWCM Independent Shareholders”	holders of KWCM Shares other than KWIH, the Trusts, Dr. Lui and their respective associates;
“KWCM Shares” and “KWCM Shareholder(s)”	respectively, the ordinary shares of HK\$0.10 each in the share capital of KWCM, and holder(s) of KWCM Shares;
“KWIH”	K. Wah International Holdings Limited, an exempted company incorporated with limited liability on 2 May 1989 in Bermuda, the shares of which are listed on the main board of the Stock Exchange and a substantial KWCM Shareholder holding 25.92% of the issued share capital of the Company;
“Latest Practicable Date”	9 September 2005, being the latest practicable date for ascertaining and inclusion of certain information in this circular prior to its printing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Issue Mandate”	the new general mandate proposed to be granted to the KWCM Directors to allot issue and deal with new KWCM Shares amounting in aggregate to up to 20% of the Company’s issued share capital as at the date of the EGM;
“New Repurchase Mandate”	the new general mandate proposed to be granted to the KWCM Directors to repurchase KWCM Shares representing up to 10% of the Company’s issued share capital as at the date of the EGM;
“Principal Trust” and “Secondary Trust”	respectively, the discretionary Lui Family trust which holds 35.27% equity interest in KWCM and the second discretionary Lui Family trust which holds 0.12% equity interest in KWCM, both of which are established under the laws of Jersey, and the sole trustee of both of which is HSBC International Trustee Limited;
“Repurchase Code” and “Takeovers Code”	respectively, the Hong Kong Code on Share Repurchases, and the Hong Kong Code on Takeovers and Mergers;
“SFC” and “SFO”	respectively, the Securities and Futures Commission of Hong Kong and the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trusts”	collectively, the Principal Trust and the Secondary Trust; and
“%”	per cent.

*Some numbers in this circular have been rounded. As a result, totals may not add up to exactly 100%.*



**K. WAH CONSTRUCTION MATERIALS LIMITED**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

*Executive Directors:*

Dr. Lui Che Woo, MBE, JP, LLD, DSSc (Chairman)  
Francis Lui Yiu Tung (Deputy Chairman)  
Chan Kai Nang (Managing Director)  
Joseph Chee Ying Keung (Deputy Managing Director)  
William Lo Chi Chung  
Paddy Tang Lui Wai Yu

*Registered Office*

29th Floor, K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

*Non-Executive Directors:*

Dr. Charles Cheung Wai Bun, JP\*  
Moses Cheng Mo Chi, GBS, OBE, JP  
James Ross Ancell\*  
Dr. William Yip Shue Lam, LLD\*

\* Independent Non-executive Directors

16 September 2005

*To the KWCM Shareholders,*

Dear Sir or Madam,

**CHANGE OF NAME  
CHANGE IN BOARD LOT SIZE AND  
REFRESHMENT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

On 22 July 2005, KWCM has completed the Acquisition. On Completion, KWCM, among other things, issued the Consideration KWCM Shares and the issued share capital of KWCM was increased from 1,445,293,563 to 3,285,813,361 KWCM Shares.

KWCM is now the owner of Galaxy, which holds one of the three gaming concessions awarded by the Macau government and currently operates gaming and activity pursuing hospitality businesses in Macau. Details of the business and other information about Galaxy were in the Joint Circular.

**CHANGE OF COMPANY NAME**

Following the Acquisition, gaming and hospitality have now become the major business of the KWCM Group. To better reflect this new business focus, the KWCM Board proposes that the name of the Company be changed from "**K. Wah Construction Materials Limited** 嘉華建材有限公司" to

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## LETTER FROM THE KWCM BOARD

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**“Galaxy Entertainment Group Limited 銀河娛樂集團有限公司”**. The proposed change of name is subject to approval by the KWCM Shareholders by way of a special resolution at the EGM and the issue of the certificate of incorporation on change of name by the Hong Kong Companies Registry. The relevant filing procedures with the Hong Kong Companies Registry will be made after the EGM.

The effective date of the change of name of the Company will be the date of issue of the certificate of incorporation on change of name by the Hong Kong Companies Registry which is expected to take place within two weeks after the EGM. Upon the change of name of the Company becoming effective, an announcement will be made to advise KWCM Shareholders of the new stock short name for trading of the KWCM Shares on the Stock Exchange and the KWCM Shares will be traded on the Stock Exchange under the new name of Galaxy Entertainment Group Limited.

### **CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, KWCM Shares are traded on the Stock Exchange in board lots of 2,000 KWCM Shares. KWCM Board also proposes to change the board lot of the KWCM Shares for trading to 1,000 KWCM Shares. The Company expects the change in board lot size of the KWCM Shares will take effect on 9 November 2005.

KWCM Board considers that the change is likely to attract more investors, broaden the shareholder base, and enhance liquidity to trading on KWCM Shares.

### **FREE EXCHANGE OF SHARE CERTIFICATES AND TRADING ARRANGEMENTS**

Share certificates in orange colour issued after the change of name has become effective will be issued in the new name of the Company. The change of name will not affect any of the rights of KWCM Shareholders. All existing share certificates in issue coloured yellow bearing the existing name of KWCM will continue to be evidence of title to shares of HK\$0.10 each in the Company for the same number of shares in the new name of the Company. Such share certificates will remain valid for trading, settlement, registration and delivery.

As from Wednesday, 9 November 2005, being the effective date for the change in board lot size, any new share certificates will be issued in board lots of 1,000 KWCM Shares.

Shareholders may, during business hours from Wednesday, 26 October 2005 to Wednesday, 7 December 2005 (both dates inclusive), submit their existing share certificates in board lots of 2,000 KWCM Shares to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in exchange for new share certificates in board lots of 1,000 KWCM Shares free of charge. Thereafter, existing share certificates in board lots of 2,000 KWCM Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lots of 1,000 KWCM Shares issued or each old share certificate submitted, whichever number of share certificate involved is higher.

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## LETTER FROM THE KWCM BOARD

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It is expected that new certificates for the KWCM Shares (in the new name (if the change has become effective) and new board lot size of 1,000 KWCM Shares) will be available for collection from the Company's share registrar on or after 10 business days from the date of submission of the existing certificates to the Company's share registrar.

### TRADING ARRANGEMENT

Upon the change in board lot size becoming effective, the arrangement proposed for trading and dealings in KWCM Shares are expected to be as follows:

From 9 November 2005, the original counter for trading in the KWCM Shares in board lots of 2,000 KWCM Shares will close and become counter for trading in the KWCM Shares in board lots of 1,000 KWCM Shares. A temporary counter will be established for trading in KWCM Shares in the existing board lots of 2,000 KWCM Shares.

From 9 November 2005 to 30 November 2005, both dates inclusive, there will be parallel trading at the above two counters. The temporary counter for trading in the KWCM Shares in the existing board lots of 2,000 KWCM Shares will be removed after the close of trading on 30 November 2005.

### EXPECTED TIMETABLE

**2005**

Latest time for return of proxy form of EGM . . . . . 3:00 p.m. on Monday, 10 October

EGM to approve, inter alia, the change of  
name of the Company . . . . . 3:00 p.m. on Wednesday, 12 October

First day for free exchange of existing share certificates  
in board lots of 2,000 KWCM Shares for new share certificates  
in board lots of 1,000 KWCM Shares . . . . . Wednesday, 26 October

Effective date of the change in board lot size . . . . . Wednesday, 9 November

Original counter for trading in existing board lots of 2,000  
KWCM Shares closes and becoming counter for trading  
in new board lots of 1,000 KWCM Shares. . . . . 9:30 a.m. on Wednesday, 9 November

Temporary counter for trading in board lots of 2,000  
KWCM Shares (in the form of existing share  
certificates) opens . . . . . 9:30 a.m. on Wednesday, 9 November

Parallel trading (in the form of new share certificates  
and existing share certificates) commences . . . . . 9:30 a.m. on Wednesday, 9 November

Temporary counter for trading in board lots of  
2,000 KWCM Shares (in the form of existing share  
certificates) closes . . . . . 4:00 p.m. on Wednesday, 30 November

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## LETTER FROM THE KWCM BOARD

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Parallel trading (in the form of new share certificates  
and existing shares certificates) ends . . . . . 4:00 p.m. on Wednesday, 30 November

Last day for free exchange of existing share certificates  
in board lots of 2,000 KWCM Shares for new share certificates  
in board lots of 1,000 KWCM Shares . . . . . Wednesday, 7 December

Further announcement will be made by the Company if there is any change to the expected timetable.

### **GENERAL MANDATES TO ISSUE AND ALLOT SHARES AND TO REPURCHASE SHARES**

At the 2005 annual general meeting of KWCM held on 28 April 2005, ordinary resolutions were passed in relation to the granting of general mandates to the KWCM Directors to: (i) issue and allot KWCM Shares not exceeding 20% of the issued share capital of KWCM as at that date and (ii) repurchase KWCM Shares not exceeding 10% of the issued share capital of KWCM as at that date. There were in issue 1,297,191,563 KWCM Shares at the date of the 2005 annual general meeting. Accordingly, pursuant to the mandates granted at the 2005 annual general meeting, the KWCM Board may issue up to 259,438,312 KWCM Shares and repurchase up to 129,719,156 KWCM Shares. As at the Latest Practicable Date, the Company has not issued nor has it repurchased any KWCM Shares under such mandates and the Company has not refreshed any of such mandates since the 2005 annual general meeting. However, the effectiveness of the existing mandates has been significantly reduced in terms of the percentage of shares that can be issued, allotted and repurchased following the issue of the 1,840,519,798 Consideration KWCM Shares, the 146,000,000 KWCM Shares pursuant to the top-up placement announced on 21 April 2005 (completed on 4 May 2005) and 6,492,000 KWCM Shares following exercise of certain KWCM employee options. As at the Latest Practicable Date, the authorised share capital of the Company is HK\$688,800,000 comprising of 6,888,000,000 KWCM Shares and 3,290,203,361 KWCM Shares are in issue.

The purpose of this circular is to provide KWCM Shareholders with notice of the EGM at which resolutions will be proposed for, amongst other things, approving the New Issue Mandate. This circular also contains the advice of the IFA which has been retained as independent financial adviser to advise the KWCM Independent Board Committee and the KWCM Independent Shareholders in relation to the New Issue Mandate, and the recommendations of the KWCM Independent Board Committee which has been formed to advise the KWCM Independent Shareholders on the New Issue Mandate.

The KWCM Directors believe that the New Issue Mandate, if passed, will increase the flexibility of the KWCM Board in managing KWCM's capital base and in particular will enable the Company to have the financial flexibility for raising additional capital for the continued development of its planned casinos business and/or further business opportunities that may arise in the future. The KWCM Directors also believe that the New Repurchase Mandate, if passed, will, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of KWCM and/or earnings per KWCM Share in the event that the Company exercises the New Repurchase Mandate and repurchases KWCM Shares on the Stock Exchange. Accordingly, there is now proposed new general mandates to: (i) repurchase KWCM Shares representing up to 10% of the issued share capital of KWCM on the date of passing of such resolution and (ii) issue and allot KWCM Shares representing up to 20% of the issued share capital of KWCM on the date of passing



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## LETTER FROM THE KWCM BOARD

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such resolutions and the shares repurchased under the New Repurchase Mandate. The New Repurchase Mandate and the New Issue Mandate are respectively set out as Resolutions Nos. 1 and 2 in the notice of the EGM. If granted, the New Issue Mandate and the New Repurchase Mandate will entitle the KWCM Board to issue and allot up to 658,040,672 new KWCM Shares and repurchase up to 329,020,336 KWCM Shares (assuming no KWCM Shares are issued or repurchased between the Latest Practicable Date and the date of the EGM).

If granted, the New Issue Mandate and the New Repurchase Mandate will be valid from the time of passing of the relevant resolution at the EGM until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under the relevant resolution by an ordinary resolution of the shareholders of the Company in general meeting.

The KWCM Directors have no immediate plans for KWCM to repurchase any KWCM Shares or to issue any KWCM Shares under the New Issue Mandate.

An explanatory statement containing the particulars required by the Listing Rules to enable the KWCM Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the EGM in relation to the New Repurchase Mandate is set out in Appendix 1 to this circular.

Save for the top-up placement announced on 21 April 2005 and completed on 4 May 2005 (in which 146,000,000 KWCM Shares were issued to independent investors pursuant to the general mandate granted to the KWCM Directors at the 2004 Annual General Meeting of KWCM held on 31 May 2004, raising cash proceeds of approximately HK\$1,137 million for the Company towards partial satisfaction of the purchase price of Galaxy), the Company has no fund raising exercise during the past 12 months preceding the date of the circular.

In compliance with Rule 13.36(4)(a) of the Listing Rules, only the KWCM Independent Shareholders will be permitted to vote on the resolution to approve the New Issue Mandate, and such voting will be by poll.

## LETTER FROM THE KWCM BOARD

### POTENTIAL DILUTION EFFECT TO THE KWCM SHAREHOLDERS

Set out below is a table depicting the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effect to the shareholdings of the Company assuming the full utilization of the New Issue Mandate:

	Number of issued KWCM Shares as at the Latest Practicable Date		Number of issued KWCM Shares after the full utilisation of the New Issue Mandate	
	<i>No. of</i>		<i>No. of</i>	
	<i>KWCM Shares</i>	<i>%</i>	<i>KWCM Shares</i>	<i>%</i>
KWIH	852,775,351	25.92	852,775,351	21.60
The Trusts (including City Lion Profits Corp.) ( <i>Note 1</i> ), Dr. Lui and his spouse	1,250,830,025	38.02	1,250,830,025	31.68
Lui Family members (other than Dr. Lui and his spouse)	277,758,695	8.44	277,758,695	7.03
Directors of KWCM (other than Lui Family members) ( <i>Note 2</i> )	2,537,810	0.08	2,537,810	0.06
Directors of KWIH only (other than Lui Family members) ( <i>Note 2</i> )	65,306	0.00	65,306	0.00
Mr. Pedro Ho ( <i>Note 3</i> ) through Future Leader Management Limited	82,250,410	2.50	82,250,410	2.08
Brightwealth Investments Limited ( <i>Note 4</i> )	325,615,622	9.90	325,615,622	8.25
Maximum number of KWCM Shares to be issued under the New Issue Mandate	—	—	658,040,672	16.67
Public KWCM Shareholders	<u>498,370,142</u>	<u>15.15</u>	<u>498,370,142</u>	<u>12.62</u>
Total	<u><u>3,290,203,361</u></u>	<u><u>100.0</u></u>	<u><u>3,948,244,033</u></u>	<u><u>100.0</u></u>

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## LETTER FROM THE KWCM BOARD

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### Notes:

1. City Lion Profits Corp., a company incorporated in the British Virgin Islands on 13 October 2004 and wholly-owned by the Principal Trust.
2. Mr. William Lo Chi Chung and Dr. Charles Cheung Wai Bun are both directors of KWCM and of KWIH and own KWCM Shares. Their interests are classified only in "Directors of KWCM (other than Lui Family members)".
3. Mr. Pedro Ho, being a director and a shareholder of Galaxy, is a connected person of KWCM.
4. KWCM Shares owned by Brightwealth Investments Limited ("**Brightwealth**"), which is a KWCM Independent Shareholder and an independent third party in respect of KWIH, amount to less than 10% of the outstanding KWCM Shares and, as such, are part of the public float of KWCM. If and when the Brightwealth options are exercised in full, the 325,615,622 KWCM Shares now owned by Brightwealth will then be owned by Kentlake (Note 5) and Top Notch (Note 6). 231,615,731 KWCM Shares will then be owned by Top Notch, and Mr. Francis Lui will have a notifiable interest in them under the SFO. 93,999,891 KWCM Shares will then be owned by Kentlake, and both Mr. Francis Lui and Mr. Pedro Ho will have notifiable interests in them under the SFO. The KWCM Shares which will be owned by Kentlake and Top Notch will no longer count toward the public float of KWCM. If the Brightwealth options are exercised at a time when there are insufficient KWCM Shares in public hands it will constitute a breach of Rule 13.32 of the Listing Rules and trading in the KWCM Shares may have to be suspended accordingly until KWCM takes appropriate steps to restore its public float.
5. Kentlake International Investments Limited, a company incorporated in the British Virgin Islands on 2 May 2003 and controlled by Mr. Francis Lui and in which Mr. Pedro Ho has a 35% interest.
6. Top Notch Opportunities Limited, a company incorporated in the British Virgin Islands on 15 March 2002 and controlled by Mr. Francis Lui.

The KWCM Directors will seek to take appropriate steps to ensure that the public float of KWCM will not be less than 25% upon issuance of any KWCM Shares under the New Issue Mandate. No KWCM Shares will be issued under the New Issue Mandate if as a result of which the public float of KWCM will be less than 25%.

### **INDEPENDENT BOARD COMMITTEE**

The KWCM Independent Board Committee, comprising of Dr. Charles Cheung Wai Bun, Mr. James Ross Ancell and Dr. William Yip Shue Lam, has been constituted to make recommendations to the KWCM Independent Shareholders in relation to the New Issue Mandate.

### **INDEPENDENT FINANCIAL ADVISER**

Commerzbank AG (Hong Kong branch) has been appointed as the independent financial adviser to advise the KWCM Independent Board Committee and the KWCM Independent Shareholders regarding the New Issue Mandate.

### **EGM**

A notice convening the EGM to be held at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 3:00 p.m. on 12 October 2005 is set out on pages 23 to 26 of this circular. Amongst other things, a special

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## LETTER FROM THE KWCM BOARD

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resolution will be proposed at that meeting to change the name of the Company and ordinary resolutions will be proposed to grant the New Repurchase Mandate and the New Issue Mandate. As said, the New Issue Mandate will be voted on by poll.

Whether or not KWCM Shareholders are able to attend the EGM, they are requested to complete and return the enclosed form of proxy accompanying this circular in accordance with the instructions printed thereon to the registered office of KWCM in Hong Kong at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the meeting. Return of the form of proxy will not preclude KWCM Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.

KWIH, the Trusts, Dr. Lui and his spouse, and their respective associates together hold in aggregate and control or are entitled to exercise control over 2,103,605,376 KWCM Shares, representing approximately 63.94% of the voting rights in KWCM and will abstain from voting in favour at the EGM on the resolution to approve the New Issue Mandate. To the best of the KWCM Directors' knowledge, information and belief (having made all reasonable enquiries), there is no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon such shareholders, nor is there any obligation or entitlement of any such shareholders as at the Latest Practicable Date, whereby he/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/its KWCM Shares to a third party, either generally or on a case-by-case basis.

### **PROCEDURE FOR DEMANDING A POLL**

The procedure by which KWCM Shareholders may demand a poll pursuant to the constitutional documents of KWCM is set out in Article 75 of the Articles as follows:

- "75. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:
- (i) by the Chairman of the meeting; or
  - (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
  - (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
  - (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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## LETTER FROM THE KWCM BOARD

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Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.”

### **RECOMMENDATION**

The KWCM Directors consider that the change of name, the change in the board lot size and the New Repurchase Mandate are in the interest of the Company and its shareholders as a whole.

The executive directors of KWCM also consider that the New Issue Mandate is fair and reasonable and is in the interests of KWCM and its shareholders as a whole. The KWCM Independent Board Committee concurs.

Your attention is drawn to the recommendation of the KWCM Independent Board Committee (set out on page 12 of this circular) and the advice of the IFA (set out on pages 13 to 18 of this circular) regarding the New Issue Mandate.

Accordingly, the KWCM Directors recommend the holders of KWCM Shares to vote in favour of all the resolutions to be proposed at the EGM.

### **FURTHER INFORMATION**

Your attention is drawn to the information set out elsewhere in this circular and in the appendices to it.

Yours faithfully  
**DR. LUI CHE WOO**  
*Chairman*

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## LETTER FROM THE KWCM INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the KWCM Independent Board Committee setting out its recommendation to the KWCM Independent Shareholders in relation to the New Issue Mandate.*

16 September 2005

*To the KWCM Independent Shareholders,  
K. Wah Construction Materials Limited*

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

We have been appointed as members of the KWCM Independent Board Committee to advise you in connection with the New Issue Mandate, details of which are set out in the letter from the KWCM Board in a circular dated 16 September 2005 issued by the Company to the KWCM Shareholders (the "Circular"), of which this letter forms a part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from the IFA concerning its advice to us regarding the New Issue Mandate as set out on pages 13 to 18 of the Circular.

Having considered the advice given by the IFA and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the New Issue Mandate is in the best interests of the Company and its Shareholders as a whole, and is fair and reasonable so far as the KWCM Independent Shareholders are concerned. Accordingly, we recommend the KWCM Independent Shareholders to vote in favour of the ordinary resolution in relation to the New Issue Mandate to be proposed at the EGM.

Yours faithfully,

By order of the board of

**KWCM Independent Board Committee**

**Dr. Charles Cheung Wai Bun, James Ross Ancell and Dr. William Yip Shue Lam**  
*Independent non-executive Directors*

德 國 商 業 銀 行

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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HONG KONG

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16 September 2005

*To the KWCM Independent Board Committee and  
the KWCM Independent Shareholders*

Dear Sirs

## PROPOSED REFRESHMENT OF THE GENERAL MANDATE TO ISSUE KWCM SHARES

### INTRODUCTION

We refer to our appointment to advise the KWCM Independent Board Committee and the KWCM Independent Shareholders with regard to the proposed refreshment of the general mandate to issue and allot KWCM Shares (the "**New Issue Mandate**"). The terms used in this letter shall have the same meaning as those defined in the circular from KWCM to the KWCM Shareholders dated 16 September 2005 (the "**Circular**") unless the context otherwise specifies.

As stated in the letter from the board (the "**Letter from the KWCM Board**"), the Company has 3,290,203,361 KWCM Shares in issue as at the Latest Practicable Date. On 22 July 2005, the Company has completed the Acquisition, upon which, the Company, amongst other things, issued the Consideration KWCM Shares. As a result, the issued share capital of KWCM increased from 1,445,293,563 to 3,285,813,361 upon the issuance of the Consideration KWCM Shares on 22 July 2005 and KWCM has since (during the period from the Completion to the Latest Practicable Date) issued a further 4,390,000 KWCM Shares following exercise of certain Employee Options. As the issued share capital of the Company has increased significantly, the effectiveness of the existing general mandate (which was approved at the 2005 Annual General Meeting of KWCM held on 28 April 2005) has been significantly reduced. As such, the KWCM Board proposed to seek the approval of the KWCM Independent Shareholders to refresh the New Issue Mandate at the EGM.

We have been appointed by the KWCM Independent Board Committee to advise them and the KWCM Independent Shareholders as to whether the New Issue Mandate is fair and reasonable in so far as the KWCM Independent Shareholders are concerned, is in the interest of the Company and its Shareholders as a whole, and to give our opinion in relation to the New Issue Mandate for the KWCM Independent Board Committee's consideration in making their recommendation to the KWCM Independent Shareholders as to how to vote on the resolution to be proposed at the EGM to approve the refreshment of the New Issue Mandate.

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## LETTER FROM THE COMMERZBANK

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In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations of the management of the Company that having made all due enquiries and careful consideration, and to the best of their knowledge and belief, there is no other fact not contained in the Circular, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which they are wholly responsible, were true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We have taken reasonable steps and have performed sufficient works in compliance with Rule 13.80 of the Listing Rules (including the notes thereto). We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances which would render the information supplied by the Company, and the representations made to us untrue, inaccurate or misleading or omitting a material fact. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the KWCM Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. Background to and reasons for the New Issue Mandate**

As set out in the Joint Circular, the Company has expanded into the Macau gaming business through the acquisition of Galaxy, which holds one of the only three gaming concessions awarded by the Macau government to operate casinos in Macau. Apart from gaming facilities, the Company intends to provide amenities and services such as food and beverage, leisure, entertainment and shopping outlets into its hotel and resort properties.

The existing general mandate to issue and allot KWCM Shares was approved by ordinary resolution at the 2005 Annual General Meeting of the Company held on 28 April 2005, which was based on 1,297,191,563 KWCM Shares then in issue. On 19 July 2005, the KWCM Independent Shareholders have duly approved the acquisition of Galaxy, in which 1,840,519,798 KWCM Shares were issued and allotted by the Company to the vendors, representing approximately 56.01% of the then enlarged issued share capital of the Company at Completion. Upon Completion, the Company has 3,285,813,361 KWCM Shares in issue, which has increased approximately 227% of the then issued share capital of the Company before the Completion.



Save for the top-up placement announced on 21 April 2005 (in which 146,000,000 KWCM Shares were issued to KWCM Independent Shareholders, raising a cash proceeds of approximately HK\$1,137 million for the Company towards partial satisfaction of the purchase price of Galaxy), the Company has no fund raising exercise during the past 12 months preceding the date of the Circular.

Pursuant to Rule 13.36(4) of the Listing Rules, an ordinary resolution will be required and proposed at a general meeting of the Company to obtain approval from the KWCM Independent Shareholders if KWCM would want to refresh the number of KWCM Shares which the KWCM Board may be allowed to issue and allot under the existing general mandate before the next annual general meeting, so that the KWCM Directors will be entitled to exercise the powers to allot and issue new KWCM Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

## **2. Financial flexibility**

The existing general mandate to issue KWCM Shares allows the Company to issue up to approximately 259,438,312 KWCM Shares (based on 20% of the then existing issued share capital of 1,297,191,563 KWCM Shares as at the date of the 2005 Annual General Meeting), which represents approximately 7.89% of the existing issued share capital of the Company. We understand from the KWCM Directors that the existing general mandate has not been utilised at all. In order to enable the Company to have the financial flexibility for raising additional capital for the continued development of its planned casinos business and/or further business opportunities that may arise in the future, the KWCM Board proposes to seek the approval of the KWCM Independent Shareholders to, based on the increased issued share capital of the Company of 3,290,203,361 KWCM Shares, refresh the New Issue Mandate at the EGM.

As set out in the Joint Circular, the Company has expanded into the Macau gaming market. Apart from the Galaxy casino at the Waldo Hotel, which is currently in operation, the Company's other casino projects such as the Galaxy casinos at StarWorld Hotel and the Cotai Mega Resort are currently under development and are scheduled to be opened in 2006 and 2008, respectively. We note that the estimated capital expenditure of the Galaxy's planned development is approximately HK\$5,743 million, which will be financed through a combination of debt financing, equity financing and internal cashflows.

Given that (i) the issued share capital base has been substantially increased as a result of the acquisition of Galaxy; (ii) the planned development of the KWCM Group's casino's projects from now to 2009; (iii) the magnitude of the funding requirements, which is estimated to be approximately HK\$5,743 million; (iv) the flexibility needed for the purpose of fund raising exercise, which, to a large extent, will depend on the then market conditions and opportunities that may arise; and (v) the enlarged capital base of the KWCM Group, we are of the view that the New Issue Mandate is in the interests of the Company and the KWCM Shareholders as a whole.

## LETTER FROM THE COMMERZBANK

### 3. Potential dilution effect to the KWCM Shareholders

We set out below a table depicting the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effect to the shareholdings of the Company assuming the full utilization of the New Issue Mandate:

	Number of issued KWCM Shares as at the Latest Practicable Date		Number of issued KWCM Shares after the full utilisation of the New Issue Mandate	
	No. of KWCM Shares	%	No. of KWCM Shares	%
KWIH	852,775,351	25.92	852,775,351	21.60
The Trusts (including City Lion Profits Corp.) (Note 1), Dr. Lui and his spouse	1,250,830,025	38.02	1,250,830,025	31.68
Lui Family members (other than Dr. Lui and his spouse)	277,758,695	8.44	277,758,695	7.03
Directors of KWCM (other than Lui Family members) (Note 2)	2,537,810	0.08	2,537,810	0.06
Directors of KWIH only (other than Lui Family members) (Note 2)	65,306	0.00	65,306	0.00
Pedro Ho (Note 3) through Future Leader Management Limited	82,250,410	2.50	82,250,410	2.08
Brightwealth Investments Limited (Note 4)	325,615,622	9.90	325,615,622	8.25
Maximum number of KWCM Shares to be issued under the New Issue Mandate	—	—	658,040,672	16.67
Public KWCM Shareholders	<u>498,370,142</u>	<u>15.15</u>	<u>498,370,142</u>	<u>12.62</u>
Total	<u>3,290,203,361</u>	<u>100.00</u>	<u>3,948,244,033</u>	<u>100.00</u>

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## LETTER FROM THE COMMERZBANK

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*Notes:*

1. City Lion Profits Corp., a company incorporated in the British Virgin Islands on 13 October 2004 and wholly-owned by the Principal Trust.
2. Mr. William Lo Chi Chung and Dr. Charles Cheung Wai Bun are both directors of KWCM and of KWIH and own KWCM Shares. Their interests are classified only in "Directors of KWCM (other than Lui Family members)".
3. Pedro Ho, being a director and a shareholder of Galaxy, is a connected person of KWCM.
4. KWCM Shares owned by Brightwealth Investments Limited ("**Brightwealth**"), which is a KWCM Independent Shareholder and an independent third party in respect of KWIH, amount to less than 10% of the outstanding KWCM Shares and, as such, are part of the public float of KWCM. If and when the Brightwealth options are exercised in full, the 325,615,622 KWCM Shares now owned by Brightwealth will be owned by Kentlake (Note 5) and Top Notch (Note 6). 231,615,731 KWCM Shares will then be owned by Top Notch, and Francis Lui will have a notifiable interest in them under the SFO. 93,999,891 KWCM Shares will then be owned by Kentlake, and both Francis Lui and Pedro Ho will have notifiable interests in them under the SFO. The KWCM Shares which will be owned by Kentlake and Top Notch will no longer count toward the public float of KWCM. If the Brightwealth options are exercised at a time when there are insufficient KWCM Shares in public hands it will constitute a breach of Rule 13.32 of the Listing Rules and trading in the KWCM Shares may have to be suspended accordingly until KWCM takes appropriate steps to restore its public float.
5. Kentlake International Investments Limited, a company incorporated in the British Virgin Islands on 2 May 2003 and controlled by Francis Lui and in which Pedro Ho has a 35% interest.
6. Top Notch Opportunities Limited, a company incorporated in the British Virgin Islands on 15 March 2002 and controlled by Francis Lui.

Assuming the full utilization of the New Issue Mandate, 658,040,672 new KWCM Shares will be issued, representing 20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the KWCM Shares issued under the New Issue Mandate, respectively. Assuming (i) no KWCM Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM; (ii) the Brightwealth options will not be exercised between the Latest Practicable Date and the date of the EGM; and (iii) none of the KWCM Shares pursuant to the New Issue Mandate are allotted to the existing public KWCM Shareholders, the aggregate shareholding of the public KWCM Shareholders will decrease from approximately 25.05% to approximately 20.88% upon full utilization of the New Issue Mandate (as refreshed). The existing public KWCM Shareholders will have a potential maximum decrease in shareholding of approximately 16.67% following the full utilization of the New Issue Mandate. Accordingly, the KWCM Directors will take appropriate steps to ensure that the public float of KWCM will not be less than 25% upon issuance of any KWCM Shares under the New Issue Mandate. In addition, assuming adopting the earnings of the KWCM Group as at 31 December 2004, the increase of KWCM Shares pursuant to the New Issue Mandate will decrease the net asset value and earnings per KWCM Share accordingly.

Taking into account that the refreshment under the New Issue Mandate (i) will provide financial flexibility to the Company given the expansionary stage of the KWCM Group; (ii) the magnitude of the funding requirement and the ability to raise capital within a short period of

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## LETTER FROM THE COMMERZBANK

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time if and when any equity financing is appropriate and available; and (iii) the fact that the shareholdings of all KWCM Shareholders will be diluted proportionally to their respective shareholdings upon any utilization of the New Issue Mandate, we consider such potential dilution to the shareholding of the KWCM Independent Shareholders to be fair and reasonable.

### CONCLUSION

KWCM Shareholders should note that the existing general mandate will be revoked upon approval at the EGM in connection with the refreshment of the New Issue Mandate, and the New Issue Mandate will continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting following the passing of this resolution; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Ordinance; or (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the KWCM Shareholders in general meeting.

### RECOMMENDATION

Having considered all factors referred to above, we are of the view that the refreshment of the New Issue Mandate is fair and reasonable, and is in the interests of the Company and the KWCM Shareholders as a whole. Accordingly, we recommend the KWCM Independent Shareholders and the KWCM Independent Board Committee to advise the KWCM Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the refreshment of the New Issue Mandate.

Yours faithfully,

For and on behalf of

**Commerzbank AG Hong Kong Branch**

**Harald W.A. Vogt**

**Helen Ho**

*General Manager*    *Head of Corporate Finance*

— *M&A Advisory*

The purpose of this Appendix I is to provide KWCM Shareholders with information regarding a resolution to be proposed at the EGM relating to the granting to the KWCM Directors of a general mandate for the repurchase of KWCM Shares representing up to 10% of KWCM's issued share capital as at the date of passing of such resolution. This Appendix I contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the KWCM Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the EGM in relation to the New Repurchase Mandate.

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of KWCM comprised 3,290,203,361 KWCM Shares. As at the same date, there were outstanding Employee Options entitling the holders to subscribe for 13,134,000 KWCM Shares.

Subject to the passing of the resolution granting the proposed mandate to repurchase KWCM Shares and on the basis that no other KWCM Shares are issued (whether generally or pursuant to the exercise of the outstanding Employee Options), or repurchased, before the EGM, KWCM will be allowed to repurchase a maximum of 329,020,336 KWCM Shares during the Relevant Period.

## **REASONS FOR REPURCHASES**

The KWCM Directors believe that it is in the best interests of the Company and the KWCM Shareholders to seek a general authority from the KWCM Shareholders to enable the Company to repurchase KWCM Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of KWCM and/or earnings per KWCM Share and will only be made when the KWCM Directors believe that such a repurchase will benefit KWCM and the KWCM Shareholders.

The KWCM Directors have no present intention to repurchase any KWCM Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of KWCM and in circumstances where they consider that the KWCM Shares can be repurchased on terms favorable to KWCM. On the basis of the consolidated financial position of KWCM as at 31 December 2004 (being the date to which the latest published audited accounts of KWCM were made up) and as updated by the Joint Circular, the KWCM Directors consider that were the general mandate to repurchase KWCM Shares to be exercised in full at the currently prevailing market value, there might be a material adverse impact on the working capital position and gearing position of the Company. The KWCM Directors do not propose to exercise the mandate to repurchase KWCM Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of the Company as compared with the position as disclosed in the latest published audited financial statements and as updated in the Joint Circular.

## **FUNDING OF REPURCHASES**

Repurchases made pursuant to the proposed mandate to repurchase KWCM Shares would be funded out of funds legally available for the purpose in accordance with the Articles and the Companies Ordinance.

**EFFECT OF THE TAKEOVERS CODE**

As at the Latest Practicable Date, KWIH, through its wholly owned subsidiary, was indirectly interested in 852,775,351 KWCM Shares representing approximately 25.92% of the share capital of KWCM in issue. The Trusts, Dr. Lui and his spouse, sons and daughters of Dr. Lui, and respective associates and companies controlled by them, were interested in 1,528,588,720 KWCM Shares representing approximately 46.46% of the share capital of KWCM. Based on the above shareholding interests, in the event that the power to repurchase KWCM Shares pursuant to the proposed mandate is exercised in full, and taking no account of the exercise of outstanding Employee Options, the aggregate interests of KWIH, the Trusts, Dr. Lui and his spouse, and Dr. Lui's sons and daughters would be increased to approximately 80.42% of the issued share capital of KWCM and the KWCM Shares held by the public will fall below 25% of the total number of KWCM Shares in issue.

If as a result of a repurchase of KWCM Shares, a KWCM Shareholder's proportionate interest in the voting rights of KWCM increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code and Rule 6 of the Repurchase Code. Accordingly, if a KWCM Shareholder, or a group of KWCM Shareholders acting in concert, depending on the level of increase of the KWCM Shareholders' interest, could obtain or consolidate control of KWCM, that KWCM Shareholder or group of KWCM Shareholders acting in concert would become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The KWCM Directors are not aware of any other consequence that would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The KWCM Directors have no present intention to exercise the New Repurchase Mandate that will result in the number of the KWCM Shares held by the public being reduced to less than 25% or to exercise it in such a way as will result in an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

**SHARE PRICES**

The following table shows the highest and lowest prices at which the KWCM Shares have been traded on the Stock Exchange in each of the past twelve months preceding the Latest Practicable Date:

	<b>Highest</b> (HK\$)	<b>Lowest</b> (HK\$)
<b>2005</b>		
— September up to the Latest Practicable Date	6.150	5.600
— August	6.150	5.100
— July	5.750	4.475
— June	6.350	5.500
— May	7.600	5.300
— April	11.000	6.450
— March	8.550	7.350
— February	8.700	5.900
— January	9.450	3.800

	<b>Highest</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
<b>2004</b>		
— December	6.050	2.750
— November	3.550	2.475
— October	2.675	1.180
— September	1.360	0.690

### REPURCHASE OF KWCM SHARES

KWCM has not purchased any KWCM Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

### GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the KWCM Directors, nor any of their associates currently intends to sell KWCM Shares to KWCM or its subsidiaries.

No connected persons of KWCM, as defined in the Listing Rules, have notified KWCM that they have a present intention to sell KWCM Shares to KWCM, or have undertaken not to do so in the event that KWCM is authorized to make repurchases of the KWCM Shares.

The KWCM Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the New Repurchase Mandate to repurchase KWCM Shares in accordance with the Listing Rules and the applicable laws of Hong Kong.

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to KWCM. The KWCM Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

**SHARE CAPITAL**

The authorized and issued share capital of KWCM as at the Latest Practicable Date are as follows:

	<b>Number of KWCM Shares</b>	<i>HK\$</i>
Authorized	6,888,000,000	688,800,000.00
Issued	3,290,203,361	329,020,336.10

**MISCELLANEOUS**

The English text of this circular prevails over the Chinese text.





## K. WAH CONSTRUCTION MATERIALS LIMITED

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of K. Wah Construction Materials Limited will be held at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 3:00 p.m. on Wednesday, 12 October 2005 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions with or without amendment (in the case of resolutions 1 to 3) and as a special resolution in the case of resolution 4:

### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (a) the general mandate granted to the Directors of the Company to exercise the powers of the Company to purchase shares in the capital of the Company as approved by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 April 2005 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares in the capital of the Company be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (b) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly.
- (d) for the purpose of this resolution, “Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

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## NOTICE OF THE EGM

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### 2. "THAT:

- (a) the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company as approved by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 April 2005 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (b), otherwise than pursuant to:
  - (i) a Rights Issue;
  - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;
  - (iii) the exercise of any option under the Company's share option schemes or similar arrangement for the time being adopted by the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the grant or issue of shares or rights to acquire shares of the Company; or
  - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company,

shall not exceed the aggregate of: (aa) 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution; (bb) (if the directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the share capital of the Company in issue at the date of passing this Resolution), and this approval shall be limited accordingly, and

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## NOTICE OF THE EGM

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(d) for the purposes of this resolution:

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong); and

“Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting”.
3. **“THAT** conditional upon the passing of the resolutions numbered 1 and 2 in the notice convening this meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with shares pursuant to the resolution numbered 2 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution numbered 1, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this resolution.”

### SPECIAL RESOLUTION

4. **“THAT** the name of the Company be changed to **“GALAXY ENTERTAINMENT GROUP LIMITED** 銀河娛樂集團有限公司”.

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

Dated 16 September 2005

*Registered Office:*  
29th Floor, K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

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## NOTICE OF THE EGM

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### Notes:

1. A form of proxy to be used for the meeting is enclosed. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and, in such event, the authority of the proxy will be deemed to be revoked.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and (on a poll) vote on his behalf. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
4. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting and in default the instrument of proxy shall not be treated as valid.
5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
6. Resolution numbered 2 will be voted on by way of poll.
7. At the date of this notice, the executive directors of the Company are Dr. Lui Che Woo, 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 is Mr. Moses Cheng Mo Chi, and the independent non-executive directors are Dr. Charles Cheung Wai Bun, Mr. James Ross Ansell and Dr. William Yip Shue Lam.