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

(incorporated in Bermuda with limited liability)

(Stock code: 173)

**DISCLOSEABLE TRANSACTIONS
AND
FORMATION OF A JOINT VENTURE
FOR DEVELOPMENT OF LAND IN HONG KONG**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Ace Glory”	Ace Glory Limited, a company incorporated in Hong Kong with registered office presently at 9th Floor, Central Building, 3 Pedder Street, Hong Kong
“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	refers to the board of directors of the Company
“Company”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	refers to the director(s) of the Company
“Group”	collectively refers to the Company and its subsidiaries
“Hong Kong” and “HK\$”	respectively, the Hong Kong Special Administrative Region of the People’s Republic of China and Hong Kong dollar (the lawfully currency of Hong Kong)
“Independent 3rd Party”	a 3rd party independent of the Company and connected persons of the Company (being a director, chief executive, or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them)
“Joint Venture”	refers to the joint venture of the Company and the JV Partners formed for development of the Land through the JV Company and Ace Glory on the terms of the MOA
“JV Company”	Full Raise International Limited, a company incorporated in British Virgin Islands with registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and formed pursuant to the terms of the MOA for the purpose of the Joint Venture
“JV Partners”	collectively refers to Nan Fung Development, Nan Fung Resources, King Chance and Wideway Concept, and “JV Partner” is any one of them
“King Chance”	King Chance Development Limited, a company incorporated in Hong Kong that is beneficially owned by Sino Land Company Limited and is an Independent 3rd Party

DEFINITIONS

“Land”	that piece of land registered in the Land Registry (New Territories) as Tai Po Town Lot No.188 at Pak Shek Kok Reclamation Phase I, Site C, Tai Po, New Territories, Hong Kong as described in the Land Grant
“Land Grant”	the Agreement and Conditions of Sale in respect of the Land to be entered into by Ace Glory with the Hong Kong Government
“Latest Practicable Date”	17 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOA”	a Memorandum of Agreement dated 4 April 2007 among Wealthy Vision, the JV Company, and the JV Partners for the formation of the Joint Venture
“Nan Fung Development”	Nan Fung Development Limited, a company incorporated in Hong Kong that is beneficially owned by Mr. Chen Din Hwa and an Independent 3rd Party
“Nan Fung Resources”	Nan Fung Resources Limited, a company incorporated in Hong Kong that is beneficially owned by Ms. Chen Wai Wai Vivien (who is the daughter of Mr. Chen Din Hwa) and an Independent 3rd Party
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	refers to the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US Dollar, the lawfully currency of the United States of America
“Wealthy Vision”	Wealthy Vision Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Wideway Concept”	Wideway Concept Limited, a limited company established in Hong Kong and an indirect wholly-owned subsidiary of USI Holdings Limited
“%”	Percentage

For the purpose of this circular, certain English translations of Chinese names or words in this circular are included for information only, and should not be relied upon as the official translation of such Chinese names or words.



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

(incorporated in Bermuda with limited liability)

(Stock code: 173)

Executive Directors:

Dr. Che-woo Lui, GBS, MBE, JP, LLD, DSSc, DBA

(Chairman)

Francis Lui Yiu Tung

Eddie Hui Ki On, GBS, CBE, QPM, CPM

(Managing Director (Acting))

Lennon Lun Tsan Kau (Deputy Managing Director)

Paddy Tang Lui Wai Yu, JP

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Non-Executive Directors:

Sir David Akers-Jones, KBE, GBM, CMG, Hon. RICS, JP*

Michael Leung Man Kin, CBE, JP

Dr. Philip Wong Kin Hang, GBS, JP, LLD, DH

Dr. The Hon. Leo Lee Tung Hai, GBM, GBS, LLD, JP*

Dr. Robin Chan Yau Hing, GBS, LLD, JP*

Dr. Charles Cheung Wai Bun, JP*

Robert George Nield*

**Principal Place of Business
in Hong Kong:**

29th Floor

K. Wah Centre

191 Java Road

North Point

Hong Kong

* Independent Non-executive Directors

19 April 2007

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS
AND
FORMATION OF A JOINT VENTURE
FOR DEVELOPMENT OF LAND IN HONG KONG**

1. INTRODUCTION

On 4 April 2007, the Board announced that Wealthy Vision (an indirect wholly-owned subsidiary of the Company) has entered into the MOA in respect of the Joint Venture for the purpose of developing the Land. Under the MOA, the Company has agreed to acquire a 25% equity interest in the JV Company. The total commitment of the Company in the Joint Venture will exceed 5% but not exceed 25% of one or more of the percentage ratios under Rule 14.07 of the Listing Rules as applicable to the Company. Accordingly, the formation of the Joint Venture constitutes a discloseable transaction. The purpose of this circular is to provide you with details of the Joint Venture.

LETTER FROM THE BOARD

2. THE MOA

(I) DATE OF THE MOA

4 April 2007

(II) PARTIES TO THE MOA

1. (A) Nan Fung Development, a company beneficially owned by Mr. Chen Din Hwa, and (B) Nan Fung Resources, a company beneficially owned by Ms. Chen Wai Wai Vivien.
2. King Chance, a wholly-owned subsidiary of Sino Land Company Limited.
3. Wealthy Vision, an indirect wholly-owned subsidiary of the Company.
4. Wideway Concept, an indirect wholly-owned subsidiary of USI Holdings Limited.

To the best of the Directors' information, knowledge and belief (upon making reasonable enquiries), Nan Fung Development, Mr. Chen Din Hwa, Nan Fung Resources, Ms. Chen Wai Wai Vivien and each of the entities in 2 and 4 above in this section (II) are Independent 3rd Party.

(III) MAJOR TERMS OF THE MOA

Purpose of the Joint Venture

The JV Company is formed for the purpose of developing the Land and management of the estate to be developed thereon. The business of the JV Company is investing in Ace Glory and the business of Ace Glory is to construct on and develop the Land.

The Land is held under the Land Grant for a term of 50 years from 13 March 2007 under which it can only be used for private residential purposes. The site area of the Land is (about) 19,902 square meters, and maximum gross floor area for development on the Land is 69,657 square meters, according to the Land Grant. Ace Glory (a wholly-owned subsidiary of the JV Company) will finalize the Land Grant (as grantee of the Land) with the Hong Kong Government after it paid in full the land premium of HK\$3,500,000,000 on 10 April 2007. The share of land premium is in proportion to each JV party's respective equity interest in the JV Company.

Ownership of Ace Glory and the JV Company

The board of directors of the JV Company and Ace Glory will comprise, in both cases, 8 directors, 3 of whom are nominated by Nan Fung Development, 2 each by King Chance and Wealthy Vision, and 1 by Wideway Concept.

LETTER FROM THE BOARD

Pursuant to the terms of the MOA, Nan Fung Development has transferred (at par) 250 issued shares which it has in the JV Company to Wealthy Vision, as well as 50 issued shares to Nan Fung Resources, 250 issued shares to King Chance, and 150 issued shares to Wideway Concept. The shareholdings of the JV Company is that as described in (A) of this section (III). The shareholding of Ace Glory is that as described in (B) of this section (III).

(A) THE JV COMPANY

<u>Name of Shareholder</u>	<u>No. of issued shares held</u>	<u>% of equity interest</u>
1. Nan Fung Development	300	30%
2. Nan Fung Resources	50	5%
3. King Chance	250	25%
4. Wealthy Vision	250	25%
5. Wideway Concept	150	15%
TOTAL	<u>1,000 (US\$1.00 each)</u>	<u>100%</u>

(B) ACE GLORY

<u>Name of Shareholder</u>	<u>No. of issued shares held</u>	<u>% of equity interest</u>
1. The JV Company	<u>One (HK\$1.00 each)</u>	<u>100%</u>

Executive Committee

There will be an executive committee under Ace Glory which is responsible for overseeing and monitoring the development and the day-to-day administration and management of development project on the Land. The executive committee reports to the board of Ace Glory and consists of 4 committee members. Nan Fung Development and Nan Fung Resources together nominate one, and each of King Chance, Wealthy Vision, and Wideway Concept nominates one representative to the executive committee.

Financing of the JV Company and Ace Glory

Wealthy Vision and each of the JV Partners will finance the development of the Land (including the provision (on a several but not joint, or joint and several, basis) of guarantees (and, if required, guarantees by their respective holding companies) to lender(s) for external financing to Ace Glory or to the JV Company (as the case may be)) according to their respective equity interest in the JV Company.

LETTER FROM THE BOARD

(IV) CONSIDERATION AND COMMITMENT OF THE COMPANY UNDER THE JOINT VENTURE

Pursuant to the terms of the MOA, Wealthy Vision will pay for its 250 shares (representing 25% equity interest) in the issued share capital of the JV Company, and the Company has paid (pro-rata to its own 25% interest) HK\$875,000,000 to finance the payment of the balance of the land premium by Ace Glory. Ace Glory has paid in full the land premium of HK\$3,500,000,000 on 10 April 2007.

The total construction and development cost is estimated to be HK\$1,350,000,000. The Company will finance its proportionate (25%) share of the construction and development cost of the Land by Ace Glory by providing (several/pro-rata) guarantee for bank borrowings by the JV Company and/or Ace Glory, and by way of shareholder's loan to the JV Company and/or Ace Glory.

The total commitment of the Company in the Joint Venture is (on present estimation) HK\$1,212,500,000 (subject to such changes as the Company and the JV Partners may from time to time agree) as follows:-

1. 25% share of land premium	HK\$875,000,000
2. 25% share of construction and development costs	HK\$337,500,000

The Company will finance its total commitment through internal resources and bank financing.

3. ABOUT NAN FUNG DEVELOPMENT AND NAN FUNG RESOURCES

The Company has been informed that Nan Fung Development is wholly-owned by Chen's Holdings Limited, which is 100% beneficially owned by Mr. Chen Din Hwa. Nan Fung Development is principally engaged in the property development and investment in Hong Kong. Nan Fung Resources is wholly-owned by Crosby Investment Holdings Inc. and is an investment holding company. Ms Chen Wai Wai Vivien, who is the daughter of Mr. Chen Din Hwa, beneficially owns 100% of Nan Fung Resources.

4. ABOUT KING CHANCE

The Company has been informed that King Chance is an investment holding company and a wholly-owned subsidiary of Sino Land Company Limited, which is principally engaged in the property development and investment in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 83).

5. ABOUT WIDEWAY CONCEPT

The Company has been informed that Wideway Concept is an indirect wholly-owned subsidiary of USI Holdings Limited, which is an investment holding company. The principal subsidiaries of USI Holdings Limited are engaged in garment manufacturing and trading, branded products

LETTER FROM THE BOARD

distribution, property rental and management, property development, property development management, provision of hospitality management services, and investing activities. The shares of USI Holdings Limited are listed on the Main Board of the Stock Exchange (Stock Code: 369).

6. ABOUT WEALTHY VISION

Wealthy Vision is an indirect wholly-owned subsidiary of the Company, which is an investment holding company. The principal subsidiaries of the Company are mainly engaged in property development and investment in The People's Republic of China, Hong Kong and South East Asia.

7. REASONS FOR THE ACQUISITION AND THE FORMATION OF THE JOINT VENTURE

The Directors are optimistic about the property market in Hong Kong, especially the luxury residential sector. The Board believes that the acquisition of the interest in the Land through the Joint Venture will enhance not only the Group's asset portfolio but also strengthen the position of the Group in the luxury residential market in Hong Kong. The Directors consider that the Joint Venture is on normal commercial terms, which are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Joint Venture is in the interest of the Company and the Shareholders as a whole.

The Board does not expect the Joint Venture to have any significant effect on the earnings and assets and liabilities of the Company.

8. GENERAL

The MOA is binding on Wealthy Vision, the JV Company, and the JV Partners and will in due course be replaced by a shareholders agreement among the same parties, whereupon the MOA will terminate. In the event that there is a material change to the terms of the MOA as described in this circular, the Company will issue further announcement or supplemental circular (as the case may require). If there is any increase in the total capital commitment of the Company in the Joint Venture that will put the applicable percentage ratios to beyond 25%, the Company will comply with the relevant requirements of Chapter 14 of the Listing Rules.

9. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Dr. Che-woo Lui
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The 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 herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director in the ordinary Shares of the Company ("Shares"), underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) or are recorded in the register of the Company required under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, were as follows:

(a) Shares

Directors	Number of Shares				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Che-woo Lui	6,511,855	7,191,314 ⁽¹⁾	38,443,830 ⁽²⁾	1,268,160,371 ⁽³⁾	1,320,307,370	54.24
Francis Lui Yiu Tung	5,837,364	—	—	1,268,160,371 ⁽³⁾	1,273,997,735	52.34
Eddie Hui Ki On	580,000	—	—	—	580,000	0.02
Lennon Lun Tsan Kau	2,230,931	—	—	—	2,230,931	0.09
Paddy Tang Lui Wai Yu	8,340,371	—	—	1,268,160,371 ⁽³⁾	1,276,500,742	52.44
Sir David Akers-Jones	150,000	—	—	—	150,000	0.01
Michael Leung Man Kin	700,000	—	—	—	700,000	0.03
Philip Wong Kin Hang	601,226	—	—	—	601,226	0.02
Leo Lee Tung Hai	550,000	—	—	—	550,000	0.02
Robin Chan Yau Hing	932,651	—	—	—	932,651	0.04
Charles Cheung Wai Bun	907,239	—	—	—	907,239	0.04
Robert George Nield	500,000	—	—	—	500,000	0.02

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

(b) Share Options

Directors	Options held at the Latest Practicable Date	Exercise Price per Share (HK\$)	Exercise period
Che-woo Lui	1,350,000	1.906	22 Oct 2006 — 21 Oct 2011
Francis Lui Yiu Tung	1,340,000	1.906	22 Oct 2006 — 21 Oct 2011
Eddie Hui Ki On	580,000	1.906	22 Oct 2006 — 21 Oct 2011
Lennon Lun Tsan Kau	670,000	1.906	22 Oct 2006 — 21 Oct 2011
Paddy Tang Lui Wai Yu	930,000	1.906	22 Oct 2006 — 21 Oct 2011
Sir David Akers-Jones	150,000	0.720	1 Mar 2004 — 28 Feb 2013
Michael Leung Man Kin	—	—	—
Philip Wong Kin Hang	300,000	1.906	22 Oct 2006 — 21 Oct 2011
Leo Lee Tung Hai	500,000	1.906	22 Oct 2006 — 21 Oct 2011
Robin Chan Yau Hing	500,000	1.906	22 Oct 2006 — 21 Oct 2011
Charles Cheung Wai Bun	600,000	1.906	22 Oct 2006 — 21 Oct 2011
Robert George Nield	500,000	1.906	22 Oct 2006 — 21 Oct 2011

Notes:

- (1) Dr. Che-woo Lui is deemed to be interested in 7,191,314 Shares through the interests of his spouse.
- (2) 35,376,195 Shares and 3,067,635 Shares are respectively held by Best Chance Investments Ltd. and Po Kay Securities & Shares Company Limited, both of which are controlled by Dr. Che-woo Lui.
- (3) 1,268,160,371 Shares representing more than one-third of the Company's issued share capital are held by the discretionary trusts established by Dr. Che-woo Lui as founder. Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trusts, are deemed to be interested in those Shares held by the trusts.

All the interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Shareholder	Number of Shares (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited	1,268,160,371 ⁽¹⁾	52.10
Penta Investment Advisers Ltd.	342,866,104 ⁽²⁾	14.09
Zwaanstra John	342,866,104 ⁽²⁾	14.09
Marapro Co., Ltd.	191,857,634 ⁽³⁾	7.88
Symmetry Co., Ltd.	191,857,634 ⁽³⁾	7.88
Polymate Co., Ltd.	191,857,634 ⁽³⁾	7.88

Notes:

- (1) HSBC International Trustee Limited is the trustee of discretionary trusts which holds 1,268,160,371 Shares.
- (2) Penta Investment Advisers Ltd., a company controlled by Zwaanstra John, is interested in 342,866,104 Shares in the capacity of investment manager.
- (3) Marapro Co., Ltd. is a beneficiary and Symmetry Co., Ltd. is the trustee of a trust which is interested in 191,857,634 Shares.
- (4) Polymate Co., Ltd. is the ultimate holding company of those companies which are interested in 191,857,634 Shares.

There was duplication of interest of:

- (i) 1,268,160,371 Shares among Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. These Shares are also interested by HSBC International Trustee Limited and of these Shares, 191,857,634 Shares are also interested by Marapro Co., Ltd., Symmetry Co., Ltd. and Polymate Co., Ltd.; and
- (ii) 342,866,104 Shares among Penta Investment Advisers Ltd. and Zwaanstra John.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors has entered into or has proposed to enter into any service agreements with any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. COMPETING BUSINESS

As at the Latest Practicable Date, Dr. Che-woo Lui — a controlling shareholder of the Company (as defined under the Listing Rules) — as well as Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu (collectively, the “*Relevant Directors*”), through (directly and indirectly) a family trust, are interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies (“*Competing Business*”) may compete, directly or indirectly, with the Group. The Relevant Directors are also the directors of the holding company of the Competing Business.

Notwithstanding that the Relevant Directors are also Directors, the Group is able to carry on its business independently of — and at arm’s length from — the Competing Business, given that the Company has a strong and independent Board with 7 out of 12 Directors being non-executive/independent non-executive Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal), prominent businessmen, or veteran high-ranking Hong Kong Government officials. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore considered that the Group’s interest is adequately safeguarded.

The Directors have also considered that, territorial wise, the Competing Business is more focusing in Hong Kong whereas the Group is more diversified with property development and property investment businesses in Mainland China, Hong Kong, and South East Asia. In terms of size, on a total assets basis, the Competing Business is substantially smaller than that of the Group. Also, the Group has a more diversified business and property portfolio than the Competing Business. The Directors considered that the Competing Business is not in line with the Group’s current business strategy and will not consider including the Competing Business into the Group’s business.

7. GENERAL

- (a) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Mr. Ricky Chan Ming Tak, a solicitor qualified in Hong Kong, an attorney of the New York State Bar and a solicitor/advocate of Singapore. The qualified accountant of the Company is Mr. Ken Wong Chun Keung, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Certified General Accountants Association of Canada.
- (d) The English text of this circular prevails over the accompanying Chinese text.