



國浩集團有限公司 Guoco Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00053)

FINANCING INVESTMENT IN GALAXY CASINO S.A.

SUMMARY

The Guoco Group, through Brightwealth, made a financing investment on 3 February 2005 comprising the acquisition of the GC Shares and the entering into of the Option Deeds. Pursuant to the Option Deeds, each of the Option Holders has a Call Option and Brightwealth has a Put Option over the GC Shares. On 14 March 2005, Brightwealth and the Other Selling Shareholders entered into the Agreement to sell their respective shareholdings in Galaxy Casino to a wholly owned subsidiary of KWCM. The Call Option will be triggered automatically upon completion of the Transaction and upon repayment of the FRNs (or the receipt of cash in lieu) and, when that happens, the beneficial interests of the Consideration Shares will effectively be passed to the Option Holders. Upon such automatic trigger of the Call Option, Brightwealth is expected to receive a maximum return under the financing investment of about HK\$403 million, which includes a possible bonus based on a pre-determined formula with a profit sharing arrangement as and when the proceeds of the Consideration Shares from the subsequent disposal by the Option Holders attain a certain fixed sum.

The acquisition of the GC Shares, the Option Deeds and the Transaction did not constitute notifiable transactions of Guoco under the Listing Rules at the respective time when they were entered into. This announcement is made by Guoco voluntarily for information of the Shareholders and other investors only.

FINANCING INVESTMENT

The Guoco Group, through Brightwealth, made a financing investment on 3 February 2005 comprising the acquisition of the GC Shares and the entering into of the Option Deeds. Pursuant to the Option Deeds, each of the Option Holders has a Call Option and Brightwealth has a Put Option over the GC Shares.

The Option Holders and their respective controlling shareholders are Unconnected Persons.

THE TRANSACTION

On 14 March 2005, Brightwealth and the Other Selling Shareholders entered into the Agreement to sell their respective shareholdings in Galaxy Casino to a wholly owned subsidiary of KWCM.

Pursuant to the Agreement, Brightwealth agreed to sell the GC Shares in consideration of the issue of the Consideration Shares and cash and/or the FRNs. Brightwealth is entitled to the same terms of sale as all the Other Selling Shareholders.

EFFECTS OF THE TRANSACTION ON THE OPTION DEEDS

Under the Option Deeds, Brightwealth has undertaken to provide all such cooperation as is reasonably required in order to implement a listing of Galaxy Casino. The Transaction falls within the scope of such a listing as contemplated under the Option Deeds and Brightwealth considered that it is reasonable to give such cooperation given the terms of the Transaction and accordingly entered into such Transaction. Thus, the Option Deeds and the Transaction should be viewed as a whole.

Upon completion of the Transaction, the Consideration Shares (and the FRNs) will replace the GC Shares and will continue to be subject to the Call Option and the Put Option pursuant to the Option Deeds.

Under the Option Deeds, the Call Option will be triggered automatically upon completion of the Transaction and upon repayment of the FRNs (or the receipt of cash in lieu) and, when that happens, the beneficial interests of the Consideration Shares will effectively be passed to the Option Holders. Upon such automatic trigger of the Call Option as a result of the Transaction, Brightwealth is expected to receive a maximum return under the financing investment of about HK\$403 million, which includes a possible bonus based on a pre-determined formula with a profit sharing arrangement as and when the proceeds of the Consideration Shares from the subsequent disposal by the Option Holders attain a certain fixed sum.

BUSINESS OF GALAXY CASINO AND KWCM

Galaxy Casino was established in Macau. Its principal business is investment holding and being the holding company of the Galaxy Group which is principally engaged in the businesses of casino, hotel, resort, convention centre and entertainment facilities (including the ownership and operation of the Galaxy Casino, Macau).

The KWCM group is principally engaged in the manufacture, sale and distribution of building materials in Hong Kong and the PRC.

GENERAL

The vendors of the GC Shares, the Option Holders, the Other Selling Shareholders and KWCM are Unconnected Persons.

The acquisition of the GC Shares, the Option Deeds and the Transaction did not constitute notifiable transactions of Guoco under the Listing Rules at the respective time when they were entered into.

This announcement is made by Guoco voluntarily for information of the Shareholders and other investors only.

DEFINITIONS

In this announcement, the following capitalised terms have the meanings as ascribed to them:

“Agreement” the conditional sale and purchase agreement dated 14 March 2005 between Brightwealth, the Other Selling Shareholders, a wholly owned subsidiary of KWCM and KWCM in respect of, among others, the Transaction

“Brightwealth”	Brightwealth Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Guoco
“Call Option”	the option granted under the relevant Option Deeds to the Option Holders to require Brightwealth to sell the GC Shares
“Consideration Shares”	325,615,622 new KWCM Shares to be issued at a price of HK\$8.00 per share (representing about 10.38% of the enlarged issued share capital of KWCM)
“FRNs”	the unsecured fixed rate notes (with a face value of about HK\$651 million) to be issued by KWCM as part of the consideration pursuant to the Agreement (unless KWCM elects to pay cash instead)
“Galaxy Casino”	Galaxy Casino S.A., a company incorporated in Macau with limited liability
“Galaxy Group”	Galaxy Casino and its subsidiaries
“GC Shares”	148,382 shares in Galaxy Casino (representing 17.32% of the economic interest, and 15.59% of the voting power, in Galaxy Casino)
“Guoco Group”	Guoco and its subsidiaries
“Guoco”	Guoco Group Limited (Stock Code: 00053), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollar, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KWCM”	K. Wah Construction Materials Limited (Stock Code: 00027), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“KWCM Shares”	ordinary shares of HK\$0.10 each of KWCM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Option”	the Put Option and the Call Option
“Option Deeds”	the respective deeds dated 3 February 2005 between Brightwealth and each of the Option Holders in respect of the Option
“Option Holders”	Kentlake International Investments Limited and Top Notch Opportunities Limited, both companies incorporated in the British Virgin Islands with limited liability (and “Option Holder” means any one of them)
“Other Selling Shareholders”	the other selling shareholders of Galaxy Casino
“PRC”	the People’s Republic of China
“Put Option”	the option granted under the relevant Option Deeds to Brightwealth to require the Option Holders to buy the GC Shares
“Shareholders”	the shareholders of Guoco
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale of the GC Shares by Brightwealth pursuant to the Agreement
“Unconnected Person”	persons who are, to the best knowledge, information and belief of the directors of Guoco, independent third parties not connected with the directors, chief executive, substantial shareholders of Guoco or its subsidiaries or any of their respective associates

As at the date of this announcement, the board of directors of Guoco comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng and Mr. James Eng, Jr. as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Harry Richard Wilkinson and Mr. Volker Stoeckel as independent non-executive directors.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 18 April 2005

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Journal.*