
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action 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 Galaxy Entertainment Group Limited, you should at once hand this circular 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.

This circular should be read in conjunction with the accompanying Annual Report for the year ended 31st December 2005.



GALAXY ENTERTAINMENT GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

PROPOSALS FOR RE-ELECTION OF DIRECTORS, GENERAL MANDATE TO REPURCHASE SHARES AND REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

28th April 2006

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
Introduction	3
Re-election of Directors	3
General Mandate to Repurchase Shares	4
Refreshment of the Scheme Mandate Limit under the Share Option Scheme	4
Notice of Annual General Meeting	5
Procedure for Demanding a Poll	6
Recommendation	6
Responsibility Statement	6
General Information	6
APPENDIX I — DIRECTORS PROPOSED TO BE RE-ELECTED	7
APPENDIX II — EXPLANATORY STATEMENT	10

DEFINITIONS

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

"Affiliate"	any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company
"Annual General Meeting"	the annual general meeting of the Company to be held at Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 29th June 2006 at 11:00 a.m.
"Annual Report"	the annual report of the Company for the year ended 31st December 2005
"Article(s)"	article(s) of the Articles of Association
"Articles of Association"	articles of association of the Company
"associates"	has the meaning ascribed to the expression under the Listing Rules
"Board"	the board of Directors
"Companies Ordinance"	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"connected persons"	has the meaning ascribed to the expression under the Listing Rules
"Director(s)"	the director(s) of the Company
"Dr. Lui"	Dr. Lui Che Woo, a director and the Chairman of the Company
"Employee"	any person employed (on a full-time or part-time basis) by the Company or any affiliate and any person who is a senior executive or director (whether executive or non-executive) of the Company or any affiliate
"Extraordinary General Meeting"	the extraordinary general meeting of the Company held on 12th October 2005
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"KWIH"	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 and a substantial shareholder of the Company
"Latest Practicable Date"	24th April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lui Family Members"	family members comprising Dr. Lui, his spouse, sons and daughters
"Qualifying Grantee"	any Employee or any consultant, agent, representative or adviser of the Company or any affiliate; or any person who provides goods or services to the Company or any affiliate; or any customer or contractor of the Company or any affiliate; or any business ally or joint venture partners of the Company or any affiliate; or any trustee of any trust established for the benefit of Employees
"Repurchase Code"	the Hong Kong Code on Share Repurchases
"Scheme Mandate Limit"	has the meaning ascribed thereto in the section headed "Refreshment of the Scheme Mandate Limit under the Share Option Scheme" in the Letter from the Board in this circular
"Securities and Futures Ordinance"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Option Scheme"	the share option scheme adopted by the Company at the annual general meeting of the Company held on 30th May 2002
"Share(s)"	share(s) of HK\$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Trusts"	the two discretionary Lui Family trusts established by Dr. Lui as founder
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent



GALAXY ENTERTAINMENT GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

Executive Directors:

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

Registered Office:

Room 1606, 16th Floor
Hutchison House
10 Harcourt Road
Central
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*

28th April 2006

To the Shareholders,

Dear Sir or Madam,

PROPOSALS FOR RE-ELECTION OF DIRECTORS, GENERAL MANDATE TO REPURCHASE SHARES AND REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting relating to (i) the re-election of Directors; (ii) the granting to the Directors of a general mandate for the repurchase of Shares representing up to 10% of the Company's issued share capital as at the date of passing of such resolution; and (iii) the refreshment of the Scheme Mandate Limit.

RE-ELECTION OF DIRECTORS

Pursuant to Article 106(A) of the Articles of Association, Mr. Joseph Chee Ying Keung, Ms. Paddy Tang Lui Wai Yu and Mr. Moses Cheng Mo Chi shall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Details of the Directors proposed to be re-elected are set out in Appendix I to this circular.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the Extraordinary General Meeting, an ordinary resolution was passed in relation to the granting of a general mandate to the Directors to repurchase Shares not exceeding 10% of the issued share capital of the Company as at that date ("Existing Repurchase Mandate").

The Existing Repurchase Mandate will expire upon the conclusion of the Annual General Meeting. The Directors consider that the Existing Repurchase Mandate increases the flexibility of the Board in managing the Company's affairs and is in the interests of the Shareholders, and that the same shall continue to be adopted by the Company.

A new general mandate to repurchase Shares representing up to 10% of the issued share capital of the Company as at the date of passing of such resolution as set out in Resolution 4.1 in the notice of the Annual General Meeting will be proposed at the Annual General Meeting ("New Repurchase Mandate").

With reference to the proposed New Repurchase Mandate, the Directors wish to state that they have no immediate plans to repurchase any Shares.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against Resolution 4.1 to be proposed at the Annual General Meeting in relation to the New Repurchase Mandate is set out in Appendix II to this circular.

REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

The Share Option Scheme was adopted on 30th May 2002. Pursuant to the terms of the Share Option Scheme, among other things:

- (1) the overall limit on number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time ("Overall Limit");
- (2) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme on 30th May 2002 ("Scheme Mandate Limit"); and
- (3) the Company may by ordinary resolution of the Shareholders refresh the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. In this connection, options previously granted under the schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

Apart from the Share Option Scheme, the Company has no other share option scheme in effect as at the Latest Practicable Date.

The existing Scheme Mandate Limit of the Share Option Scheme is 121,787,040 Shares, being 10% of the Shares in issue as at the date of adoption of the Share Option Scheme on 30th May 2002. As at the Latest Practicable Date, options carrying rights to subscribe for a total of 61,736,000 Shares have been

LETTER FROM THE BOARD

granted under the Share Option Scheme, 14,344,000 of which have been exercised, 1,782,000 of which have lapsed and 45,610,000 of which remain unexercised. Accordingly, 61,833,040 options, the underlying Shares of which represent approximately 1.88% of the existing issued share capital of the Company, are available to be granted under the Scheme Mandate Limit.

If the Scheme Mandate Limit is refreshed, on the basis of 3,290,579,361 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or purchased by the Company prior to the Annual General Meeting, the Scheme Mandate Limit will be refreshed to 329,057,936 Shares and the Company will be allowed to grant further options under the Share Option Scheme and any other schemes of the Company carrying the rights to subscribe for a maximum of 329,057,936 Shares ("Refreshed Limit").

The purpose of the Share Option Scheme is to enable the Company to grant options to the Qualifying Grantees so as to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the Qualifying Grantees and to promote the long term financial success of the Company by aligning the interest of option holders to Shareholders. The Directors believe that the Share Option Scheme can provide Qualifying Grantees with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and the Shares. However, the effectiveness of the Scheme Mandate Limit has been significantly reduced as the issued share capital of the Company has substantially increased following the issue by the Company of new Shares, inter alia, 1,840,519,798 Shares pursuant to the acquisition announced on 18th April 2005 and 146,000,000 Shares pursuant to the top-up placement announced on 21st April 2005. As at the Latest Practicable Date, 61,833,040 options, the underlying Shares of which represent approximately 1.88% of the existing issued share capital of the Company, are available to be granted under the Scheme Mandate Limit. The Directors consider that the Share Option Scheme can better serve its intended purpose of benefiting the Group and the Shareholders if the Scheme Mandate Limit is refreshed. For these reasons, a resolution will be proposed at the Annual General Meeting for refreshing the Scheme Mandate Limit.

The refreshment of the Scheme Mandate Limit is conditional upon:

- a. the Shareholders passing an ordinary resolution to approve the Refreshed Limit in the Annual General Meeting; and
- b. the Stock Exchange granting the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options under the Refreshed Limit.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options under the Refreshed Limit.

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is set out in the Annual Report sent to Shareholders on the same date as this circular. A proxy form for use at the Annual General Meeting is enclosed with the Annual Report. Whether or not you are able to attend the meeting, you are reminded to complete the proxy form in accordance with the instructions printed thereon and return it to the registered office of the Company at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and, in any event, so as to be received by the Company, not less than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting in person at the meeting if you so wish.

LETTER FROM THE BOARD

PROCEDURE FOR DEMANDING A POLL

According to Article 75 of the Articles of Association, 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 authorised 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 authorised 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 authorised representative) or by proxy and holding Shares 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.

RECOMMENDATION

The Directors consider that the re-election of Directors, the New Repurchase Mandate and the refreshment of the Scheme Mandate Limit are each in the best interests of the Company, and accordingly, recommend all Shareholders to vote in favour of such resolutions to be proposed at the Annual General Meeting.

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.

GENERAL INFORMATION

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

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

The details of the Directors proposed for re-election at the Annual General Meeting are set out below:

Mr. Joseph Chee Ying Keung, aged 48, joined the Group in 1982. He has been an executive director of the Company since April 2004 and is the Deputy Managing Director of the Construction Materials Division of the Company. In addition, he is a director of a number of subsidiaries of the Company.

Mr. Chee holds an International Master degree in Business Administration from the University of South Australia and a Bachelor degree in Mechanical Engineering from the University of Western Ontario in Canada. He is a fellow member of The Institute of Quarrying in the UK and has over 24 years of broad experience in the construction materials industry including operations and management, technical and quality assurance, environmental protection, commercial and strategic planning. He is currently the Chairman of Hong Kong Contract Quarry Association and a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board. He was the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000.

Apart from being an executive director of the Company, Mr. Chee did not hold any directorship in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chee's service contract does not provide for a fixed length or proposed length of service with the Company. Mr. Chee is not appointed for a specific term but shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. His emoluments covered by the service contract comprise an annual package of HK\$2,161,350, a director's fee which will be proposed by the Board and approved by the Shareholders at the subsequent year's annual general meeting, discretionary share options and discretionary bonuses. A director's fee of HK\$80,000 for the year ended 31st December 2005 will be payable to Mr. Chee subject to the approval of the Shareholders at the Annual General Meeting. In addition, Mr. Chee was granted share options by the Company during the year ended 31st December 2005 pursuant to the Share Option Scheme, which entitle him to subscribe for 270,000 Shares at an exercise price of HK\$4.59 per Share, amounting to a share-based payment of HK\$126,900 being recognized as his staff cost in the profit and loss statement of the Company. His emoluments are determined by reference to his duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Mr. Chee has interests in 2,450,000 Shares and share options entitling him to subscribe for 270,000 Shares. Save as disclosed, Mr. Chee has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Mr. Chee's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraphs (h) to (v) of Rule 13.52(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

Ms. Paddy Tang Lui Wai Yu, JP, aged 52, joined the Group in 1980 and has been an executive director of the Company since August 1991. She is also an executive director of KWIH, a substantial shareholder of the Company, which is listed on the Stock Exchange. In addition, she is a director of a number of subsidiaries of the Company.

Ms. Tang holds a bachelor of commerce degree from the McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. She is a member of the Election Committee of the HKSAR. She is also a member of the Hong Kong Arts Development Council and a member of the Hong Kong Antiquities Advisory Board.

Save as disclosed above, Ms. Tang did not hold any directorship in any listed public companies in the past three years. Ms. Tang is a daughter of Dr. Lui and the elder sister of Mr. Francis Lui Yiu Tung, a director and the Deputy Chairman of the Company. She is also a direct or indirect discretionary beneficiary of the Trusts which are controlling shareholders of the Company. Save as disclosed, Ms. Tang does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Ms. Tang has no service contract with the Company and there is no fixed length or proposed length of service with the Company. Ms. Tang is not appointed for a specific term but shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. The amount of emoluments payable to Ms. Tang comprises an annual director's fee which will be proposed by the Board and approved by the Shareholders at the subsequent year's annual general meeting, discretionary share options and discretionary bonuses. A director's fee of HK\$80,000 for the year ended 31st December 2005 will be payable to Ms. Tang subject to the approval of the Shareholders at the Annual General Meeting. In addition, Ms. Tang was granted share options by the Company during the year ended 31st December 2005 pursuant to the Share Option Scheme, which entitle her to subscribe for 3,400,000 Shares at an exercise price of HK\$4.59 per Share, amounting to a share-based payment of HK\$3,278,000 being recognized as her staff cost in the profit and loss statement of the Company. Her emoluments are determined by reference to her duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Ms. Tang has interests in 1,910,658,116 Shares (including deemed interests) and share options entitling her to subscribe for 3,400,000 Shares. Save as disclosed, Ms. Tang has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Ms. Tang's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraphs (h) to (v) of Rule 13.52(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

Mr. Moses Cheng Mo Chi, GBS, OBE, JP, aged 56, has been a non-executive director of the Company since August 1996. He is also an audit committee member of the Company. Save as disclosed, he does not hold any positions with the Company or any subsidiaries of the Company.

Mr. Cheng is the senior partner of P.C. Woo & Co., a Hong Kong firm of solicitors. He is the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He is the Chairman of the Listing Committee of the Stock Exchange. He is a non-official member of the Executive Committee of the Commission on Strategic Development. He was a member of the Legislative Council of Hong Kong from 1991 to 1995.

Mr. Cheng is currently a director of Beijing Capital International Airport Company Limited, China COSCO Holdings Company Limited, China Mobile (Hong Kong) Limited, China Resources Enterprise, Limited, City Telecom (H.K.) Limited, Guangdong Investment Limited, Kader Holdings Company Limited, Liu Chong Hing Investment Limited, Shui On Construction and Materials Limited and Tian An China Investments Limited — all of which are listed on the Stock Exchange. He is also a director of ARA Asset Management (Singapore) Limited, the manager of the Fortune Real Estate Investment Trust which is listed on the Singapore Stock Exchange. He was previously a director of COL Capital Limited, Kingway Brewery Holdings Limited, Pokfulam Development Company Limited, Quality HealthCare Asia Limited and International Financial Network Holdings Ltd. — all of which are listed on the Stock Exchange. Save as disclosed, he did not hold any directorships in any listed public companies in the past three years.

Mr. Cheng is the senior partner of P.C. Woo & Co., a Hong Kong firm of solicitors, which provides legal services on normal commercial terms to certain companies controlled by Dr. Lui. Save as disclosed, he has no relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Cheng has no service contract with the Company and there is no agreed length or proposed length of service with the Company. His existing term as director of the Company will expire at the Annual General Meeting and he shall be subject to retirement by rotation and be eligible for re-election. The amount of director's emoluments payable to Mr. Cheng comprises an annual director's fee and an annual audit committee member's fee which will be proposed by the Board and approved by the shareholders of the Company at the subsequent year's annual general meeting, and discretionary share options. A director's fee of HK\$80,000 and an audit committee member's fee of HK\$80,000 for the year ended 31st December 2005 will be payable to Mr. Cheng subject to the approval of the Shareholders at the Annual General Meeting. In addition, Mr. Cheng was granted share options by the Company during the year ended 31st December 2005 pursuant to the Share Option Scheme, which entitle him to subscribe for 200,000 Shares at an exercise price of HK\$4.59 per Share, amounting to a share-based payment of HK\$94,000 being recognized as his staff cost in the profit and loss statement of the Company. His emoluments are determined by reference to his duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Mr. Cheng has interests in share options entitling him to subscribe for 500,000 Shares. Save as disclosed, Mr. Cheng has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Mr. Cheng's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraphs (h) to (v) of Rule 13.52(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the proposed repurchase mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,290,579,361 Shares. As at the same date, there are outstanding share options granted under the Share Option Scheme and the share option scheme of the Company adopted on 10th September 1996 and expired on 9th September 2000 to subscribe for 53,508,000 Shares.

Subject to the passing of the resolution granting the proposed mandate to repurchase Shares and on the basis that no further Shares are issued (whether generally or pursuant to the exercise of the subscription rights attaching to the outstanding share options) or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 329,057,936 Shares during the period ending on the earliest of: (i) the conclusion of the next annual general meeting of the Company; or (ii) the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or by law; or (iii) the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase 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 the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any 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 the Company and in circumstances where they consider that the Shares can be repurchased on terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31st December 2005, being the date to which the latest published audited accounts of the Company were made up, the Directors consider that if the general mandate to repurchase Shares were 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 Directors do not propose to exercise the mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

FUNDING OF REPURCHASES

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

EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company 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, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and would become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Trusts, Lui Family Members and respective associate and companies controlled by them were interested in 1,721,247,500 Shares representing 52.31% of the issued share capital of the Company. KWIH, which is controlled by one of the Trusts, was interested in 614,984,047 Shares representing 18.69% of the issued share capital of the Company.

Based on the above shareholding interests, in the event that the power to repurchase Shares pursuant to the New Repurchase Mandate is exercised in full, and taking no account of the exercise of outstanding share options, the aggregate interests of the Trusts, KWIH, Lui Family Members and respective associates and companies controlled by them would be increased to approximately 78.89% of the issued share capital of the Company and the Shares held by the public will fall below 25% of the total number of Shares in issue. The Directors are not aware of any consequence which would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the New Repurchase Mandate which will result in the number of the Shares held by the public being reduced to less than 25%.

SHARE PRICES

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

Month	Highest (HK\$)	Lowest (HK\$)
2005		
April	11.000	6.450
May	7.600	5.300
June	6.350	5.500
July	5.750	4.475
August	6.150	5.100
September	6.150	5.200
October	5.450	3.550
November	4.575	3.900
December	4.600	3.900
2006		
January	5.300	4.250
February	5.450	4.875
March	7.000	4.950
April (up to the Latest Practicable Date)	7.800	6.550

REPURCHASE OF SHARES

The Company had not purchased any of its 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 Directors nor any of their associates currently intend to sell Shares to the Company or its subsidiaries.

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

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