

**OTHER INFORMATION****Review of Interim Financial Statements**

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including the review of the unaudited interim financial statements.

**Interim Dividend**

The Directors have declared an interim dividend of HK8 cents per share (2003: HK5.6 cents per share after adjusting for bonus share issue) in respect of the six months ended 30th June, 2004 to be payable on or about 5th October, 2004 to shareholders whose names appear in the Register of Members of the Company on 17th September, 2004.

**Closure of Register of Members**

The Register of Members of the Company will be closed from 16th September, 2004 to 17th September, 2004, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 15th September, 2004.

Shareholders in Singapore whose securities accounts with The Central Depository (Pte) Limited are credited with share in the Company as at 5:00 p.m. on 15th September, 2004 will be entitled to the interim dividend.

**Directors' Interests in Shares**

As at 30th June, 2004, the directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

**Interests in the Company**

Name of Director	Capacity	Number of shares held		Number of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital
		Personal interests	Other interests			
Siu Tit Lung (Notes 1, 2 & 4)	Beneficial owner and founder of discretionary trust	36,791,444	307,617,187	500,000	344,908,631	56.16%
Siu Yuk Lung (Notes 1, 3 & 4)	Beneficial owner and founder of discretionary trust	36,791,444	307,617,187	500,000	344,908,631	56.16%
Mak Koon Chi	Beneficial owner	2,343,750	—	500,000	2,843,750	0.46%
Wai Lung Shing	Beneficial owner	2,343,750	—	500,000	2,843,750	0.46%
Fung Wai Hing	Beneficial owner	957,031	—	500,000	1,457,031	0.24%
Liu Wing Ting, Stephen	Beneficial owner	—	—	150,000	150,000	0.02%
Chan Chun Sing, Colin	Beneficial owner	—	—	150,000	150,000	0.02%
Lee Tat Yee	Beneficial owner	—	—	150,000	150,000	0.02%

**Notes:**

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 32,631,288 shares in the Company and each owned a further 4,160,156 shares in the Company registered in their own names.



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- (2) Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 58,593,750 shares in the Company.
- (3) Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 58,593,750 shares in the Company.
- (4) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 249,023,437 shares in the Company.

### Interests in associated corporations of the Company

Name of Director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long position in the shares and underlying shares of the Company or its associated corporations.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors and their associates has any interests or short positions in

any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Share Options

A share option scheme was adopted by the Company pursuant to a resolution passed on 9th September, 2002 (the "2002 Scheme"). Under the 2002 Scheme, the board of directors of the Company or a duly authorised committee (the "Board") may grant options to (i) any executive or non-executive directors of the Group (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the "Participants"), to subscribe for shares in the Company. The 2002 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants, and will expire on 8th September, 2012.

At 30th June, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 6,000,000, representing about 0.98% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2002 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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Options granted must be taken up within a period of 28 days from the date of grant, upon payment of HK\$1 per grant. An option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option ("Option Period"). Options may be exercised in accordance with the terms of the 2002 Scheme at any time during the Option Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company's share, the closing price of the Company's shares on the date of grant and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the period:

	Number of share options					At 30th June, 2004	Date of grant	Exercisable period	Exercise price per share
	At 1st	Granted	Exercised	Cancelled	At 30th				
	January, 2004	period	period	period	June, 2004				
									HK\$
<b>Category 1: Directors</b>									
Siu Tit Lung	—	500,000	—	—	500,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Siu Yuk Lung	—	500,000	—	—	500,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Mak Koon Chi	—	500,000	—	—	500,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Wai Lung Shing	—	500,000	—	—	500,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Fung Wai Hing	—	500,000	—	—	500,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Liu Wing Ting, Stephen	—	150,000	—	—	150,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Chan Chun Sing, Colin	—	150,000	—	—	150,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Lee Tat Yee	—	150,000	—	—	150,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30	
Total	—	2,950,000	—	—	2,950,000				

Number of share options							
At 1st January, during the 2004	Granted during the period	Exercised during the period	Cancelled during the period	At 30th June, 2004	Date of grant	Exercisable period	Exercise price per share
HK\$							
<b>Category 2: Employees</b>							
—	3,050,000	—	—	3,050,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30
Total all categories	—	6,000,000	—	—	6,000,000		

The fair value of the options granted in the current period measured as at the date of grant on 25th May, 2004 was HK\$5,040,000. The following significant assumptions were used to derive the fair value using the Binomial Lattice Model:

- Expected life of options is 3 years;
- Expected volatility of 45% per annum (based on historical share price movement);
- Expected annual dividend yield of 5% per annum (based on historical dividend payments);
- Hong Kong Exchange Fund Notes rate was 2.8% per annum;
- No option holders will leave the Company before the exercise period commences;
- Option holders will leave the Company at a rate of 1% per annum during the exercise period; and
- Option holders will exercise when the share price is at least 100% higher than the exercise price.

The Binomial Lattice Model requires the input of highly subjective assumptions, including the volatility of share price and dividend yield. Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.



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The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the period. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

### Substantial Shareholders

As at 30th June, 2004, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of shares/ underlying shares held</u>	<u>Percentage of Company's issued share capital</u>
Pan Island Investments Limited	Beneficial owner	249,023,437	40.55%
Rickdee Investments Limited	Beneficial owner	58,593,750	9.54%
Robin Hill Investments Limited	Beneficial owner	58,593,750	9.54%
Commonwealth Bank of Australia (Note)	Interest of controlled corporation	61,841,608	10.07%

*Note:*

Commonwealth Bank of Australia had an interest of 61,841,608 shares in the Company, through its wholly-owned subsidiaries, namely, Colonial First State Group Ltd, Colonial Holding Company (No. 2) Pty Limited, Colonial Holding Company Pty Ltd, Colonial Ltd, The Colonial Mutual Life Assurance Society Ltd, First State Investments (UK Holdings) Limited, First State Investment Management (UK) Limited and SI Holdings Limited.



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All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th June, 2004.

### **Purchase, Sale or Redemption of Securities**

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2004.

### **Code of Best Practice**

During the six months ended 30th June, 2004, the directors are not aware of any information that would indicate that the Company was not in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### **Model Code**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors.

All the directors declared that they had complied with the Model Code throughout the period.

On behalf of the Board  
**Siu Yuk Lung**  
*Managing Director*

Hong Kong, 27th August, 2004