

## EMPLOYEES

As at 31st December 2003, the number of full time employees of the Group was 128 (30th June 2003: 125). There are no significant changes in the remuneration policies to the employees of the Group since the publication of the annual report for the year ended 30th June 2003.

## INTERIM DIVIDEND

The directors have declared an interim dividend of 0.33 HK cents (2002: 0.33 HK cents as adjusted for the bonus issue on 28th March 2003) per ordinary share for the six months ended 31st December 2003. This dividend will be payable on Thursday, 25th March 2004 to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 17th March 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15th March 2004 to Wednesday, 17th March 2004, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00 p.m. on Friday, 12th March 2004.

## SHARE OPTIONS

As at 31st December 2003, the directors and employees of the Group had the following interests under the share option scheme (the "Scheme") approved by the shareholders of the Company on 23rd August 2000:

Date of share options granted	Exercise period	Exercise price per share HK\$	At 1/7/2003	Exercised during the period (Note 2)	Lapsed during the period	At 31/12/2003
<b>Directors (Note 1):</b>						
28/9/2000	29/3/2001–8/10/2004	0.2333	121,500,000	–	–	121,500,000
31/8/2001	1/3/2002–31/8/2005	0.3233	19,500,000	–	–	19,500,000
20/12/2002	2/12/2003–1/6/2007	0.3833	30,000,000	–	–	30,000,000
<b>Employees:</b>						
28/9/2000	28/3/2001–27/3/2005	0.2333	22,300,000	2,250,000	1,050,000	19,000,000
22/6/2001	22/12/2001–21/12/2005	0.3433	1,740,000	–	–	1,740,000
31/8/2001	1/3/2002–28/2/2006	0.3233	6,000,000	120,000	240,000	5,640,000
20/12/2002	2/10/2003–1/4/2007	0.3833	3,000,000	–	–	3,000,000
4/4/2003	5/10/2003–4/4/2007	0.363	24,000,000	–	–	24,000,000
Total			228,040,000	2,370,000	1,290,000	224,380,000

There were no options granted or cancelled in accordance with the terms of the Scheme during the period.

## SHARE OPTIONS (Continued)

Notes:

1. For more details of options granted to individual directors, please refer to sub-section “Interest in options to acquire ordinary shares of the Company” on page 21.
2. The weighted average closing price of the shares immediately before the dates of exercise of these options was HK\$0.33 per share.
3. Value of options

The directors consider the disclosure of the estimated value of options granted pursuant to the Scheme to be inappropriate due to the uncertainty and subjectivity involved in modeling and pricing these options.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December 2003, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (“SFO”), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company, were as follows:

### (i) Interest in long positions of ordinary shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company*
Mr. Jonathan Koon Shum Choi**	Corporate	2,318,205,327
Ms. Mary Yuk Sin Lam	Personal	7,500,000
Mr. Michael Wai Chung Wu	Personal	2,514,000

\* Exclude interest in options to acquire ordinary shares of the Company which is disclosed in section (iv) below.

\*\* Mr. Jonathan Koon Shum Choi is deemed to be interested in these 2,318,205,327 ordinary shares by virtue of the SFO as detailed in the section “Substantial shareholders’ interests and short positions in the shares and underlying shares of the Company” shown on page 23.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

- (ii) Interest in long positions of common shares of par value of US\$0.04 each of Kingsway International Holdings Limited ("Kingsway International"), the ultimate holding company of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total number of common shares*
Mr. Jonathan Koon Shum Choi **	10,101,596	–	26,828,055 (Note 1)	–	36,929,651
Mr. William Ka Chung Lam	9,226,750	–	–	7,838,995 (Note 2)	17,065,745
Ms. Mary Yuk Sin Lam	9,790,507	–	–	–	9,790,507
Mr. Michael Koon Ming Choi	106,937	–	–	–	106,937
Dr. Douglas Ching Shan Hui	125,000	–	–	–	125,000

\* Exclude interest in options to acquire common shares of Kingsway International which is disclosed in section (v) below.

\*\* By virtue of his interest in Kingsway International, Mr. Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries (including the Company as disclosed in section (i) above) of Kingsway International under the SFO.

Notes:

- Of these, 12,750,000 shares are held by Sun Wah Capital Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited.

The remaining 14,078,055 shares are held by Scarlet Red Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

- These shares are held by Dynasty International Holdings Limited which is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Mr. William Ka Chung Lam and his two children as the beneficiaries.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

- (iii) Interest in long positions of ordinary shares of par value of US\$0.1 each of HK Weaver Group Limited, a fellow subsidiary of the Company

Name of director	Type of interest	Number of ordinary shares
Mr. William Ka Chung Lam	Personal	10,144
Ms. Mary Yuk Sin Lam	Personal	28,518
Mr. Michael Wai Chung Wu	Personal	39,474

- (iv) Interest in options to acquire ordinary shares of the Company

Details of the directors' interests in options under the Scheme are as follows:

Name of director	Exercise period	Exercise price per share HK\$	At 1/7/2003 and 31/12/2003
Mr. Jonathan Koon Shum Choi	9/4/2001–8/10/2004	0.2333	45,000,000
Mr. William Ka Chung Lam	29/3/2001–28/9/2004	0.2333	45,000,000
Ms. Mary Yuk Sin Lam	29/3/2001–28/9/2004	0.2333	15,000,000
	1/3/2002–31/8/2005	0.3233	18,000,000
Mr. Michael Koon Ming Choi	4/4/2001–3/10/2004	0.2333	16,500,000
	1/3/2002–31/8/2005	0.3233	1,500,000
Mr. Michael Wai Chung Wu	2/12/2003–1/6/2007	0.3833	30,000,000

There were no options granted to or exercised by directors during the period.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

### (v) Interest in options to acquire common shares of Kingsway International

Pursuant to a share option plan operated by Kingsway International, certain directors were granted options to subscribe for shares of Kingsway International as follows:

Name of director	Exercise price per share	Exercise period	At 1/7/2003	Lapsed during the period	At 31/12/2003
Mr. Jonathan Koon Shum Choi	C\$1.92	27/12/2000 – 26/12/2003	2,000,000	2,000,000	–
Mr. William Ka Chung Lam	C\$1.92	27/12/2000 – 26/12/2003	2,000,000	2,000,000	–
	C\$1.92	4/3/2002 – 1/3/2005	500,000	–	500,000
Mr. Richard Yingneng Yin *	C\$1.92	27/12/2000 – 26/12/2003	2,000,000	2,000,000	–
Mr. Michael Koon Ming Choi	C\$0.8	17/12/1999 – 13/10/2003	250,000	250,000	–
Dr. Douglas Ching Shan Hui	C\$0.8	17/12/1999 – 13/10/2003	125,000	125,000	–

There were no options granted to or exercised by the directors during the period.

\* Mr. Richard Yingneng Yin officially retired from his office as a director on 26th November 2003, at which time the options granted to him lapsed.

Save as disclosed above, as at 31st December 2003, none of the directors and chief executives had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executives or their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other corporate body.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests, apart from as disclosed in note (a) below, are in addition to those disclosed above in respect of the directors and chief executives, representing long positions in the shares of the Company.

Name of shareholders	Country of incorporation	Number of ordinary shares in the Company		Notes
		Direct interest	Deemed interest	
1. World Developments Limited	British Virgin Islands	2,318,205,327	–	(a)
2. Innovation Assets Limited	British Virgin Islands	–	2,318,205,327	(a)
3. Kingsway International Holdings Limited	Bermuda	–	2,318,205,327	(a)
4. Paddison Limited	Hong Kong	210,000,000	–	(b)
5. China Trust and Investment Corporation for Foreign Economic Relations & Trade	People's Republic of China	–	210,000,000	(b)
6. Sinochem Corporation	People's Republic of China	–	210,000,000	(b)

Notes:

- (a) These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited and Kingsway International. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by Kingsway International. Mr. Jonathan Koon Shum Choi beneficially owns or has control of approximately 47% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SFO) to be interested in these 2,318,205,327 shares.
- (b) These shares represent the same interest and are therefore duplicated amongst Paddison Limited, China Trust and Investment Corporation for Foreign Economic Relations & Trade and Sinochem Corporation. Paddison Limited is a wholly owned subsidiary of China Trust and Investment Corporation for Foreign Economic Relations & Trade, whose entire issued share capital is beneficially owned by Sinochem Corporation.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company has not been notified of any substantial shareholders' interests and short positions, which represent 5% or more of the Company's issued share capital.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 31st December 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31st December 2003, in compliance with the Code of Best Practice set out by The Stock Exchange of Hong Kong Limited in Appendix 14 of the Listing Rules (except that non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company's Bye-Laws).

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the interim report and the unaudited condensed accounts for the six months ended 31st December 2003.

On behalf of the Board  
**William Ka Chung Lam**  
*Chief Executive Officer*

Hong Kong, 23rd February 2004