

SHARE CAPITAL

The Company has not redeemed any of its shares during the six months ended 30th June 2004. Neither the Company nor any of its subsidiary companies have purchased or sold any of the Company's shares during the six months ended 30th June 2004.

DIRECTORS' INTERESTS AND SHARE OPTIONS

At 30th June 2004, the interests of each director in the shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), K. Wah International Holdings Limited, and the details of any right to subscribe for shares of the Company and K. Wah International Holdings Limited and of the exercise of such rights, as recorded in the register maintained 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, were as follows:

(a) Ordinary Shares of the Company

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% of Issued Share Capital as at 30th June 2004
Lui Che Woo	7,969,955	1,447,452	75,778,513 ⁽¹⁾	850,514,983 ⁽²⁾	935,710,903	73.62
Francis Lui Yiu Tung	2,937	—	—	850,514,983 ⁽²⁾	850,517,920	66.92
Chan Kai Nang	—	—	—	—	—	—
William Lo Chi Chung	186,000	—	—	—	186,000	0.01
Paddy Tang Lui Wai Yu	1,861,906	—	—	850,514,983 ⁽²⁾	852,376,889	67.06
Joseph Chee Ying Keung	1,350,000	—	—	—	1,350,000	0.11
Charles Cheung Wai Bun	1,810	—	—	—	1,810	0.00
Moses Cheng Mo Chi	—	—	—	—	—	—
James Ross Ancell	—	—	—	—	—	—

(b) Share Options of the Company

At 30th June 2004, the particulars of the options held by each of the directors of the Company, the employees of the Company in aggregate and other participants granted under the Share Option Scheme of the Company or under any other share option schemes of the Company, were as follows:

		Options held at 1st January 2004	Options granted during the period	Options exercised during the period	Options held at 30th June 2004	Exercise price (HK\$)	Exercise period
Lui Che Woo	20th May 1998	1,500,000	—	—	1,500,000	0.5333	20th May 1999– 19th May 2008
	30th Dec 1999	1,800,000	—	—	1,800,000	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	2,000,000	—	—	2,000,000	0.5140	1st Mar 2004– 28th Feb 2013
Francis Lui Yiu Tung	20th May 1998	1,000,000	—	—	1,000,000	0.5333	20th May 1999– 19th May 2008
	30th Dec 1999	1,600,000	—	—	1,600,000	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	1,870,000	—	—	1,870,000	0.5140	1st Mar 2004– 28th Feb 2013
Chan Kai Nang	28th Feb 2003	110,000	—	—	110,000	0.5140	1st Mar 2004– 28th Feb 2013
William Lo Chi Chung	—	—	—	—	—	—	—
Paddy Tang Lui Wai Yu	20th May 1998	600,000	—	—	600,000	0.5333	20th May 1999– 19th May 2008
	30th Dec 1999	1,070,000	—	—	1,070,000	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	1,270,000	—	—	1,270,000	0.5140	1st Mar 2004– 28th Feb 2013

(b) Share Options of the Company (Cont'd)

		Options held at 1st January 2004	Options granted during the period	Options exercised during the period	Options held at 30th June 2004	Exercise price (HK\$)	Exercise period
Joseph Chee Ying Keung	30th Dec 1999	*650,000	—	650,000 ^(a)	—	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	*1,000,000	—	—	1,000,000	0.5140	1st Mar 2004– 28th Feb 2013
Charles Cheung Wai Bun	28th Feb 2003	300,000	—	—	300,000	0.5140	1st Mar 2004– 28th Feb 2013
Moses Cheng Mo Chi	28th Feb 2003	300,000	—	—	300,000	0.5140	1st Mar 2004– 28th Feb 2013
James Ross Ancell	—	—	—	—	—	—	—
Employees	20th May 1998	9,262,000	—	1,924,000 ^(b)	7,338,000	0.5333	20th May 1999– 19th May 2008
	30th Dec 1999	19,226,000	—	4,488,000 ^(c)	#14,088,000	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	13,882,000	—	3,896,000 ^(d)	#8,986,000	0.5140	1st Mar 2004– 28th Feb 2013
Others	20th May 1998	600,000	—	300,000 ^(e)	300,000	0.5333	20th May 1999– 19th May 2008
	30th Dec 1999	1,606,000	—	536,000 ^(e)	1,070,000	0.5216	30th Dec 2000– 29th Dec 2009
	28th Feb 2003	△750,000	—	300,000 ^(e)	450,000	0.5140	1st Mar 2004– 28th Feb 2013

* representing the share options held by Joseph Chee Ying Keung as at his appointment date as director on 15th April 2004

after reclassification of share options held by Joseph Chee Ying Keung under "Employees" to "Directors"

△ after reclassification of share options held by Yip Hing Chung under "Directors" to "Others" following his retirement as director on 31st May 2004

(b) Share Options of the Company (Cont'd)

Notes:

- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$0.61.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$0.76.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$0.81.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$0.84.
- The option were exercised on the same date and the weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.86.

All options referred to above are subject to a one-year vesting period.

The consideration paid by each grantee for each grant of options is HK\$1.00.

(c) Ordinary Shares of K. Wah International Holdings Limited

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% of Issued Share Capital as at 30th June 2004
Lui Che Woo	263,644	7,013,966	37,507,971 ⁽³⁾	1,236,885,458 ⁽²⁾	1,281,671,039	64.65
Francis Lui Yiu Tung	391,163	—	—	1,236,885,458 ⁽²⁾	1,237,276,621	62.41
Chan Kai Nang	—	—	—	—	—	—
William Lo Chi Chung	100,000	—	—	—	100,000	0.01
Paddy Tang Lui Wai Yu	4,639,166	—	—	1,236,885,458 ⁽²⁾	1,241,524,624	62.62
Joseph Chee Ying Keung	—	—	—	—	—	—
Charles Cheung Wai Bun	7,239	—	—	—	7,239	0.00
Moses Cheng Mo Chi	—	—	—	—	—	—
James Ross Ancell	—	—	—	—	—	—

(d) Share Options of K. Wah International Holdings Limited

	Date of grant	Options held at 1st January 2004	Options granted during the period	Options exercised during the period	Options held at 30th June 2004	Exercise price (HK\$)	Exercise period
Lui Che Woo	20th May 1998	1,500,000	—	—	1,500,000	0.5586	20th May 1999–19th May 2008
	30th Dec 1999	1,350,000	—	—	1,350,000	0.3600	30th Dec 2000–29th Dec 2009
	28th Feb 2003	2,000,000	—	—	2,000,000	0.7200	1st Mar 2004–28th Feb 2013
Francis Lui Yiu Tung	20th May 1998	1,000,000	—	—	1,000,000	0.5586	20th May 1999–19th May 2008
	30th Dec 1999	1,200,000	—	—	1,200,000	0.3600	30th Dec 2000–29th Dec 2009
	28th Feb 2003	1,868,000	—	—	1,868,000	0.7200	1st Mar 2004–28th Feb 2013
Chan Kai Nang	—	—	—	—	—	—	—
William Lo Chi Chung	—	—	—	—	—	—	—
Paddy Tang Lui Wai Yu	20th May 1998	600,000	—	—	600,000	0.5586	20th May 1999–19th May 2008
	30th Dec 1999	870,000	—	—	870,000	0.3600	30th Dec 2000–29th Dec 2009
	28th Feb 2003	1,269,000	—	—	1,269,000	0.7200	1st Mar 2004–28th Feb 2013
Joseph Chee Ying Keung	29th Dec 2003	*1,000,000	—	—	1,000,000	1.300	30th Dec 2003–29th Dec 2013
Charles Cheung Wai Bun	28th Feb 2003	300,000	—	—	300,000	0.7200	1st Mar 2004–28th Feb 2013
Moses Cheng Mo Chi	—	—	—	—	—	—	—
James Ross Ancell	—	—	—	—	—	—	—

* representing the share options held by Joseph Chee Ying Keung as at his appointment date as director on 15th April 2004.

Notes:

- (1) 75,778,513 shares in the Company were held by Best Chance Investments Ltd., which was controlled by Dr. Lui Che Woo.
- (2) K. Wah International Holdings Limited was interested in 846,625,308 shares in the Company representing more than one-third of its issued share capital held by a wholly owned subsidiary of K. Wah International Holdings Limited. 1,236,885,458 shares in K. Wah International Holdings Limited representing more than one-third of its issued share capital were held by the discretionary trusts established by Dr. Lui Che Woo as founder. In addition, one of the said discretionary trusts was interested in 3,889,675 shares in the Company.

Dr. Lui Che Woo, 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 in K. Wah International Holdings Limited and those shares in the Company held by the trusts and in those shares in the Company in which K. Wah International Holdings Limited was interested as aforesaid.

- (3) 34,503,760 shares and 3,004,211 shares in K. Wah International Holdings Limited were respectively held by Best Chance Investments Ltd. and Po Kay Securities & Shares Company Limited both of which were controlled by Dr. Lui Che Woo.

Save as disclosed above, as at 30th June 2004, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

At 30th June 2004, the interests of every person (not being a director or chief executive of the Company) in the shares of the Company as recorded in the register kept under section 336 of the SFO were as follows:

Name	Number of Ordinary Shares	% of Issued Share Capital as at 30th June 2004
Best Chance Investments Ltd.	75,778,513	6.0
K. Wah International Holdings Limited	846,625,308	66.6
HSBC International Trustee Limited	842,969,433 ^(Note)	66.3

Note: HSBC International Trustee Limited is the trustee of the discretionary trusts which hold 842,969,433 shares in the Company.

There was duplication of interest of:

- (i) 850,514,983 shares in the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. Among these shares, 846,625,308 shares were also interested by K. Wah International Holdings Limited and 842,969,433 shares were also interested by HSBC International Trustee Limited;
- (ii) 75,778,513 shares in the Company between Dr. Lui Che Woo and Best Chance Investments Ltd.; and
- (iii) 1,236,885,458 shares in K. Wah International Holdings Limited between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Save as disclosed above, as at 30th June 2004, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the SFO.

COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

As at 30th June 2004, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 10.7% of the Company's market capitalisation.

In compliance with Chapter 13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the combined balance sheet of the affiliated companies as at 30th June 2004 is set out as follows:

	Combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets	256,548	86,258
Current assets	160,243	53,879
Current liabilities	(34,574)	(11,622)
	<u>382,217</u>	<u>128,515</u>
Share capital	94,079	31,631
Reserves	96,935	32,593
Amounts due to shareholders	191,188	64,287
Non-current liabilities	15	4
	<u>382,217</u>	<u>128,515</u>

AUDIT COMMITTEE

Having been reviewed by the Company's Auditors, PricewaterhouseCoopers, the Group's interim financial information for the six months ended 30th June 2004 was reviewed by the Audit Committee (the "Committee"). Regular meetings have been held by the Committee which meets at least twice each year.

CLOSE OF REGISTER

The register of members will be closed from 27th September 2004 to 4th October 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividend, shareholders must ensure that all transfers together with the relevant share certificates are lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 24th September 2004.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Steven Tong Kui Nam
Company Secretary

Hong Kong, 8th September 2004

Registered Office:
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191 Java Road
North Point
Hong Kong

Website: www.kwcml.com

As at the date of this report, the executive directors are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. William Lo Chi Chung, Ms. Paddy Tang Lui Wai Yu and Mr. Joseph Chee Ying Keung. The independent non-executive directors are Dr. Charles Cheung Wai Bun, Mr. Moses Cheng Mo Chi and Mr. James Ross Ancell.