

The directors have pleasure in presenting to the shareholders their report together with the audited financial statements for the year ended 31st December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, jointly controlled entities and associated companies are set out in note 37 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2003 are set out on page 47 of the annual report. An interim scrip dividend equivalent to 1 cent (2002: 1 cent) per share with a cash option, totalling HK\$19,630,000 (2002: HK\$18,964,000), was paid during the year. The directors recommend a final scrip dividend of 2 cents (2002: 2 cents) per share with a cash option totalling HK\$39,623,000 (2002: HK\$38,412,000). Full details of the scrip dividend will be set out in a letter to be sent to the shareholders.

SHARE CAPITAL

Details of shares issued as at 31st December 2003 are set out in note 25 to the financial statements.

On 28th February 2003, options to subscribe for 17,754,000 shares at the option price of HK\$0.72 per share were granted to directors, advisers and employees of the Company and its affiliates pursuant to the Share Option Scheme of the Company adopted on 30th May 2002.

On 4th July 2003, 42,201,365 new shares were issued at a price of HK\$0.6688 per share as the final dividend for the year ended 31st December 2002 to shareholders who had not made cash elections in respect of all of their shareholdings.

On 21st November 2003, 13,843,952 new shares were issued at a price of HK\$1.0906 per share as the interim dividend for the year ended 31st December 2003 to shareholders who had not made cash elections in respect of all of their shareholdings.

On 29th December 2003, options to subscribe for 7,000,000 shares at the option price of HK\$1.30 per share were granted to adviser and employees of the Company and its affiliates pursuant to the Share Option Scheme of the Company adopted on 30th May 2002.

During the year, 943,000, 1,285,000 and 300,000 new shares were issued at the option prices of HK\$0.5586, HK\$0.36 and HK\$0.72 per share respectively pursuant to share option schemes of the Company as a result of the exercise of share options by option holders.

On 23rd March 2004, the Group issued an aggregate amount of HK\$864,260,000 0.5% guaranteed convertible bonds due in March 2009. The bonds are listed on the Luxembourg Stock Exchange and are convertible into ordinary shares of the Company, at a conversion price of HK\$2.25 per share on or after 23rd April 2004 up to the close of business on 8th March 2009. The bonds are redeemable at 91.49% of their principal amount on 23rd March 2009 according to relevant terms and conditions of the bonds.

The Company has not redeemed any of its shares during the year ended 31st December 2003. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

DONATIONS

During the year, the Group made charitable donations amounted to HK\$4,370,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 13 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on pages 85 to 87.

DIRECTORS

The directors of the Company who served during the year were Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Lennon Lun Tsan Kau, Mr. Eddie Hui Ki On, Ms. Paddy Tang Lui Wai Yu, Sir David Akers-Jones, Mr. Michael Leung Man Kin, Dr. Alex Wu Shu Chih, Dr. Philip Wong Kin Hang, Dr. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing and Dr. Charles Cheung Wai Bun.

Mr. William Lo Chi Chung was appointed as a director on 15th April 2004.

The biographical details of the directors and senior management are set out on pages 30 to 33 of the annual report.

In accordance with Bye-law 109(A), Mr. Lennon Lun Tsan Kau, Ms. Paddy Tang Lui Wai Yu and Dr. Robin Chan Yau Hing will retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. In accordance with Bye-law 100, Mr. William Lo Chi Chung shall hold office until the forthcoming annual general meeting, and being eligible, offers himself for re-election.

None of the directors proposed for re-election has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DISCLOSURE OF INTERESTS

At 31st December 2003, 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 ("SFO"), K. Wah Construction Materials Limited, and the details of any right to subscribe for shares of the Company and K. Wah Construction Materials 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 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
Lui Che Woo	263,644	7,013,966	37,507,971 ⁽¹⁾	1,236,885,458 ⁽²⁾	1,281,671,039	64.80
Francis Lui Yiu Tung	391,163	—	—	1,236,885,458 ⁽²⁾	1,237,276,621	62.55
Lennon Lun Tsan Kau	—	—	—	—	—	—
Eddie Hui Ki On	—	—	—	—	—	—
Paddy Tang Lui Wai Yu	4,639,166	—	—	1,236,885,458 ⁽²⁾	1,241,524,624	62.77
David Akers-Jones	—	—	—	—	—	—
Michael Leung Man Kin	—	—	—	—	—	—
Alex Wu Shu Chih	—	—	—	—	—	—
Philip Wong Kin Hang	—	—	—	—	—	—
Leo Lee Tung Hai	—	—	—	—	—	—
Robin Chan Yau Hing	271,181	—	—	—	271,181	0.01
Charles Cheung Wai Bun	7,239	—	—	—	7,239	0.00

(B) Share Options of the Company

Details are set out in the SHARE OPTION SCHEMES section below.

DISCLOSURE OF INTERESTS (Cont'd)

(C) Ordinary Shares of K. Wah Construction Materials Limited

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% of Issued Share Capital
Lui Che Woo	7,969,955	1,447,452	75,778,513 ⁽³⁾	850,514,983 ⁽²⁾	935,710,903	74.33
Francis Lui Yiu Tung	2,937	—	—	850,514,983 ⁽²⁾	850,517,920	67.56
Lennon Lun Tsan Kau	—	—	—	—	—	—
Eddie Hui Ki On	—	—	—	—	—	—
Paddy Tang Lui Wai Yu	1,861,906	—	—	850,514,983 ⁽²⁾	852,376,889	67.71
David Akers-Jones	—	—	—	—	—	—
Michael Leung Man Kin	—	—	—	—	—	—
Alex Wu Shu Chih	—	—	—	—	—	—
Philip Wong Kin Hang	—	—	—	—	—	—
Leo Lee Tung Hai	—	—	—	—	—	—
Robin Chan Yau Hing	63,973	—	—	—	63,973	0.01
Charles Cheung Wai Bun	1,810	—	—	—	1,810	0.00

(D) Share Options of K. Wah Construction Materials Limited

Details are set out in the SHARE OPTION SCHEMES section below.

Notes:

- (1) 34,503,760 shares and 3,004,211 shares in the Company 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.
- (2) 1,236,885,458 shares in the Company representing more than one-third of its issued share capital were held by the discretionary trusts established by Dr. Lui Che Woo as founder. The Company was interested in 846,625,308 shares in K. Wah Construction Materials Limited representing more than one-third of its issued share capital held by a wholly owned subsidiary of the Company. In addition, one of the said discretionary trust was interested in 3,889,675 shares in K. Wah Construction Materials Limited. 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 the Company and those shares in K. Wah Construction Materials Limited held by the trusts and in those shares in K. Wah Construction Materials Limited in which the Company was interested as aforesaid.
- (3) 75,778,513 shares in K. Wah Construction Materials Limited were held by Best Chance Investments Ltd. which was controlled by Dr. Lui Che Woo.

Save as disclosed above, as at 31st December 2003, 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 corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

At 31st December 2003, the interests of every person (not being a Director or chief executive of the Company) in the Shares as recorded in the register kept under section 336 of the SFO were as follow:

Name	Number of Ordinary Shares	% of Issued Share Capital
HSBC International Trustee Limited	1,193,975,939 ⁽¹⁾	60.36
Marapro Co., Ltd.	187,126,116 ⁽²⁾	9.46
Symmetry Co., Ltd.	187,126,116 ⁽²⁾	9.46
Polymate Co., Ltd.	187,126,116 ⁽³⁾	9.46

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

- (1) HSBC International Trustee Limited is the trustee of discretionary trusts which hold 1,193,975,939 Shares.
- (2) Marapro Co., Ltd. is a beneficiary and Symmetry Co., Ltd. is a trustee of a trust which was interested in 187,126,116 Shares.
- (3) Polymate Co., Ltd. is the ultimate holding company of companies interested in 187,126,116 Shares.

There was duplication of interest of:

- (i) 1,236,885,458 Shares between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. Among these Shares, 1,193,630,181 Shares were also interested by HSBC International Trustee Limited and 187,126,116 Shares were also interested by Marapro Co., Ltd., Symmetry Co., Ltd. and Polymate Co., Ltd.; and
- (ii) 850,514,983 Shares in K. Wah Construction Materials Limited between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Save as disclosed above, as at 31st December 2003, 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.

No contracts of significance to which the Company or its subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEMES

The share option scheme of the Company ("Share Option Scheme") was approved and adopted by the shareholders at the annual general meeting held on 30th May 2002 ("Adoption Date"). A summary of the Share Option Scheme is set out below:

(1) Purpose

To attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders.

(2) Participants

- (i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or
- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or
- (v) any business ally or joint venture partners of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or

SHARE OPTION SCHEMES (Cont'd)

(2) Participants (Cont'd)

- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

"Affiliate" means 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.

(3) Total number of shares available for issue

Mandate Limit — Subject to the below paragraph, 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 Adoption Date, being 187,563,607 shares.

Overriding Limit — The Company may by ordinary resolutions of the shareholders refresh the Mandate Limit as referred to in the above paragraph provided the Company shall issue a circular to shareholders before such approval is sought. The overriding limit on the 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.

As at 31st December 2003, the total number of shares available for issue under the Share Option Scheme was 162,809,607 shares, which represented approximately 8.23% of the issued share capital of the Company at that date.

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares in issue.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(5) Option period

The period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it can vest

The minimum period, if any, for which an option must be held before it can vest shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of grant (or such longer period as the Board may specify in writing).

SHARE OPTION SCHEMES (Cont'd)

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the higher of:

- (i) the closing price of the shares on the date of grant;
- (ii) the average closing prices of the shares for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

(9) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and will expire on 29th May 2012.

At 31st December 2003, 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 or under any other share option schemes of the Company, were as follows:

	Date of grant	Options held at 1st January 2003	Options granted during the year	Options exercised during the year	Options held at 31st December 2003	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
Lennon Lun Tsan Kau	30th Dec 1999	500,000	—	—	500,000	0.3600	30th Dec 2000 – 29th Dec 2009
	28th Feb 2003	—	1,054,000	—	1,054,000	0.7200	1st Mar 2004 – 28th Feb 2013
Eddie Hui Ki On	—	—	—	—	—	—	—
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
David Akers-Jones	28th Feb 2003	—	150,000	—	150,000	0.7200	1st Mar 2004 – 28th Feb 2013

SHARE OPTION SCHEMES (Cont'd)

	Date of grant	Options held at 1st January 2003	Options granted during the year	Options exercised during the year	Options held at 31st December 2003	Exercise price (HK\$)	Exercise period
Michael Leung Man Kin	20th May 1998	300,000	—	—	300,000	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	—	300,000	—	300,000	0.7200	1st Mar 2004 – 28th Feb 2013
Alex Wu Shu Chih	28th Feb 2003	—	150,000	—	150,000	0.7200	1st Mar 2004 – 28th Feb 2013
Philip Wong Kin Hang	28th Feb 2003	—	300,000	—	300,000	0.7200	1st Mar 2004 – 28th Feb 2013
Leo Lee Tung Hai	28th Feb 2003	—	150,000	—	150,000	0.7200	1st Mar 2004 – 28th Feb 2013
Robin Chan Yau Hing	28th Feb 2003	—	150,000	—	150,000	0.7200	1st Mar 2004 – 28th Feb 2013
Charles Cheung Wai Bun	28th Feb 2003	—	300,000	—	300,000	0.7200	1st Mar 2004 – 28th Feb 2013
Employees	20th May 1998	3,822,000	—	643,000 ¹	3,179,000	0.5586	20th May 1999 – 19th May 2008
	30th Dec 1999	4,794,000	—	850,000 ²	3,944,000	0.3600	30th Dec 2000 – 29th Dec 2009
	28th Feb 2003	—	9,391,000	—	9,391,000	0.7200	1st Mar 2004 – 28th Feb 2013
	29th Dec 2003	—	4,000,000	—	4,000,000	1.3000	30th Dec 2003 – 29th Dec 2013
Others	20th May 1998	300,000	—	300,000 ¹	—	0.5586	20th May 1999 – 19th May 2008
	30th Dec 1999	435,000	—	435,000 ²	—	0.3600	30th Dec 2000 – 29th Dec 2009
	28th Feb 2003	—	672,000	300,000 ³	372,000	0.7200	1st Mar 2004 – 28th Feb 2013
	29th Dec 2003	—	3,000,000	—	3,000,000	1.3000	30th Dec 2003 – 29th Dec 2013

Notes:

1. For 133,000 options, exercise date was 22nd January 2003. At the date before the options were exercised, the closing price per share was HK\$0.60.

For 160,000 options, exercise date was 4th April 2003. At the date before the options were exercised, the closing price per share was HK\$0.69.

For 100,000 options, exercise date was 2nd October 2003. At the date before the options were exercised, the closing price per share was HK\$1.11.

For 300,000 options, exercise date was 23rd October 2003. At the date before the options were exercised by the Option Holder's personal representative, the closing price per share was HK\$1.14.

For 100,000 options, exercise date was 12th December 2003. At the date before the options were exercised, the closing price per share was HK\$1.14.

For 150,000 options, exercise date was 31st December 2003. At the date before the options were exercised, the closing price per share was HK\$1.32.

SHARE OPTION SCHEMES (Cont'd)

2. For 200,000 options, exercise date was 22nd January 2003. At the date before the options were exercised, the closing price per share was HK\$0.60.

For 250,000 options, exercise date was 3rd March 2003. At the date before the options were exercised, the closing price per share was HK\$0.75.

For 200,000 options, exercise date was 4th March 2003. At the date before the options were exercised, the closing price per share was HK\$0.70.

For 100,000 options, exercise date was 28th March 2003. At the date before the options were exercised, the closing price per share was HK\$0.73.

For 100,000 options, exercise date was 18th September 2003. At the date before the options were exercised, the closing price per share was HK\$1.11.

For 435,000 options, exercise date was 23rd October 2003. At the date before the options were exercised by the Option Holder's personal representative, the closing price per share was HK\$1.14.
3. For 300,000 options, exercise date was 23rd October 2003. At the date before the options were exercised by the Option Holder's personal representative, the closing price per share was HK\$1.14.

Except for the options granted on 29th December 2003 which were fully vested at the date of grant, the other 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.

The share options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain. The closing prices of the Company's shares immediately before the dates on which the share options were granted on 28th February 2003 and 29th December 2003 were HK\$0.70 per share and HK\$1.30 per share respectively.

Except for the Share Option Scheme, at no time during the year was the Company or its subsidiary companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The share option scheme of K. Wah Construction Materials Limited ("KWCM") ("KWCM Share Option Scheme") was approved and adopted by the shareholders of KWCM at the annual general meeting of KWCM held on 30th May 2002 ("Adoption Date"). The KWCM Share Option Scheme was also approved by the shareholders of the Company at the annual general meeting of the Company held on the Adoption Date. A summary of the KWCM Share Option Scheme is set out below:

(1) Purpose

To attract and retain the best quality personnel for the development of KWCM's businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of KWCM by aligning the interests of option holders to shareholders.

SHARE OPTION SCHEMES (Cont'd)

(2) Participants

- (i) any employee of KWCM or any affiliate and any senior executive or director of KWCM or any affiliate; or
- (ii) any consultant, agent, representative or adviser of KWCM or any affiliate; or
- (iii) any person who provides goods or services to KWCM or any affiliate; or
- (iv) any customer or contractor of KWCM or any affiliate; or
- (v) any business ally or joint venture partners of KWCM or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees of KWCM; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

“Affiliate” means any company which is (a) a holding company of KWCM; or (b) a subsidiary of a holding company of KWCM; or (c) a subsidiary of KWCM; or (d) a controlling shareholder of KWCM; or (e) a company controlled by a controlling shareholder of KWCM; or (f) a company controlled by KWCM; or (g) an associated company of a holding company of KWCM; or (h) an associated company of KWCM.

(3) Total number of shares available for issue

Mandate Limit — Subject to the below paragraph, the total number of shares which may be issued upon exercise of all options to be granted under the KWCM Share Option Scheme and any other schemes of KWCM must not in aggregate exceed 10% of the shares in issue as at the Adoption Date, being 121,787,040 shares.

Overriding Limit — KWCM may by ordinary resolutions of its shareholders and by ordinary resolutions of the shareholders of the Company refresh the Mandate Limit as referred to in above paragraph provided KWCM and the Company shall issue a circular to their respective shareholders before such approval is sought. The overriding limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KWCM Share Option Scheme and any other schemes of KWCM must not exceed 30% of the shares in issue from time to time.

As at 31st December 2003, the total number of shares available for issue under the KWCM Share Option Scheme was 101,305,040 shares, which represented approximately 8.05% of the issued share capital of KWCM at that date.

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares in issue.

Subject to separate approval by the shareholders of KWCM in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided KWCM shall issue a circular to shareholders before such approval is sought, and separate approval by the shareholders of the Company in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, KWCM may grant options to a participant which would exceed this limit.

SHARE OPTION SCHEMES (Cont'd)

(5) Option period

The period within which the shares must be taken up under an option shall be determined by the KWCM Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it can vest

The minimum period, if any, for which an option must be held before it can vest shall be determined by the KWCM Board in its absolute discretion. The KWCM Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to KWCM on acceptance of the option offer. An offer must be accepted within 14 days from the date of grant (or such longer period as the KWCM Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the KWCM Board in its absolute discretion at the time of the grant but shall not be less than the higher of:

- (i) the closing price of the shares on the date of grant;
- (ii) the average closing prices of the shares for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

(9) The remaining life of the KWCM Share Option Scheme

The life of the KWCM Share Option Scheme is 10 years commencing on the Adoption Date and will expire on 29th May 2012.

At 31st December 2003, the particulars of the options held by each of the directors of the Company, the employees of KWCM in aggregate and other participants granted under the KWCM Share Option Scheme or under any other share option schemes of KWCM, were as follows:

	Date of grant	Options held at 1st January 2003	Options granted during the year	Options exercised during the year	Options held at 31st December 2003	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

SHARE OPTION SCHEMES (Cont'd)

	Date of grant	Options held at 1st January 2003	Options granted during the year	Options exercised during the year	Options held at 31st December 2003	Exercise price (HK\$)	Exercise period
Lennon Lun Tsan Kau	—	—	—	—	—	—	—
Eddie Hui Ki On	—	—	—	—	—	—	—
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
David Akers-Jones	—	—	—	—	—	—	—
Michael Leung Man Kin	20th May 1998	300,000	—	—	300,000	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	—	300,000	—	300,000	0.5140	1st Mar 2004 – 28th Feb 2013
Alex Wu Shu Chih	—	—	—	—	—	—	—
Philip Wong Kin Hang	—	—	—	—	—	—	—
Leo Lee Tung Hai	—	—	—	—	—	—	—
Robin Chan Yau Hing	—	—	—	—	—	—	—
Charles Cheung Wai Bun	28th Feb 2003	—	300,000	—	300,000	0.5140	1st Mar 2004 – 28th Feb 2013
Employees of KWCM	20th May 1998	9,262,000	—	—	9,262,000	0.5333	20th May 1999 – 19th May 2008
	30th Dec 1999	19,226,000	—	—	19,226,000	0.5216	30th Dec 2000 – 29th Dec 2009
	28th Feb 2003	—	14,442,000	—	14,442,000	0.5140	1st Mar 2004 – 28th Feb 2013
Others	20th May 1998	300,000	—	—	300,000	0.5333	20th May 1999 – 19th May 2008
	30th Dec 1999	536,000	—	—	536,000	0.5216	30th Dec 2000 – 29th Dec 2009
	28th Feb 2003	—	300,000	—	300,000	0.5140	1st Mar 2004 – 28th Feb 2013

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.

The share options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain. The closing price of the KWCM shares immediately before the date on which the share options were granted during the year was HK\$0.50.

CONNECTED TRANSACTIONS

1. On 29th April 2003, the Company executed, under normal commercial terms, a Deed of Guarantee amounting up to HK\$120,000,000 to a bank as security for the provision of the general banking facilities of HK\$400,000,000 to Shanghai Jiashen Real Estate Development Co., Ltd., which is 99% indirectly owned by the Company, for financing its property development project at Phase III, Yanjiazhai, Shanghai, Mainland China.
2. On 31st October 2003, K. Wah (China) Investment Co., Ltd., an indirect wholly-owned subsidiary of the Company, executed under normal commercial terms a full guarantee to K. Wah Properties Investment Limited, an indirect wholly-owned subsidiary of the Company ("KWPI") as security for the provision by KWPI of a short term loan of HK\$31,200,000 to Shanghai Jiashen Real Estate Development Co., Ltd., which is 99% indirectly owned by the Company, for financing its operation.

PRE-EMPTIVE RIGHTS

There are no shareholder pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

FINANCIAL SUMMARY

A five year financial summary of the results and of the assets and liabilities of the Group is shown on pages 27 to 29 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2003, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total of such purchases.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the five largest customers.

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Dr. Lui Che Woo
Chairman

Hong Kong, 15th April 2004