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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt as to** any aspect of this circular or as to the actions 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 K. Wah International Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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.

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**K. WAH INTERNATIONAL HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 173)**

**DISCLOSEABLE TRANSACTION**

**ESTABLISHMENT OF A JOINT VENTURE  
FOR PRODUCTION OF CONSTRUCTION MATERIALS IN YUNNAN**

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10 September 2004

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## DEFINITIONS

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

“Board”	the board of Directors
“Company”	K. Wah International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Company”	Yunnan Kungang & K. Wah Cement Construction Materials Co. Ltd. 雲南昆鋼嘉華水泥建材有限公司, a sino-foreign equity joint venture company to be established pursuant to the Joint Venture Contract and to be held by Party A as to 50%, by Party B as to 30%, by Party C as to 18.692% and by Party D as to 1.308%
“Joint Venture Contract”	the sino-foreign equity joint venture contract dated 19 August 2004 entered into between Party A, Party B, Party C and Party D in respect of the establishment of the Joint Venture Company
“KWCM”	K. Wah Construction Materials Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and a 67% owned subsidiary of the Company
“KWCM Board”	the board of directors of KWCM
“Latest Practicable Date”	8 September 2004, being the latest practicable date prior to the printing of this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Party A”	昆明鋼鐵控股有限公司 (Kunming Steel Holding Co., Ltd.), a state-owned entity established in the PRC
“Party B”	Profit Access Investments Limited, a company incorporated in the British Virgin Islands being an indirect wholly owned subsidiary of KWCM and a non-wholly owned subsidiary of the Company

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## DEFINITIONS

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“Party C”	雲南華雲實業總公司 (Yunnan Huayun Industrial Holding Company), a collective entity established in the PRC
“Party D”	安寧市投資有限公司 (Anning Investment Co., Ltd.), a state-owned entity established in the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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### **K. WAH INTERNATIONAL HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

*Executive Directors:*

Dr. Lui Che Woo, MBE, JP, LLD, DSSc (*Chairman*)  
Francis Lui Yiu Tung (*Managing Director*)  
Lennon Lun Tsan Kau (*Deputy Managing Director*)  
Eddie Hui Ki On, GBS, CBE, QPM, CPM  
William Lo Chi Chung  
Paddy Tang Lui Wai Yu

*Non-Executive Directors:*

Sir David Akers-Jones, KBE, GBM, CMG, Hon. RICS, JP\*  
Michael Leung Man Kin, CBE, JP  
Dr. Alex Wu Shu Chih, CBE, LLD, JP\*  
Dr. Philip Wong Kin Hang, GBS, JP, LLD, DH\*  
Dr. Leo Lee Tung Hai, GBS, LLD, JP\*  
Dr. Robin Chan Yau Hing, GBS, LLD, JP\*  
Dr. Charles Cheung Wai Bun, JP\*  
Robert George Nield\*

*\* Independent Non-executive Directors*

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal place of business  
in Hong Kong:*

29th Floor  
K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

10 September 2004

*To the Shareholders,*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION**

### **ESTABLISHMENT OF A JOINT VENTURE FOR PRODUCTION OF CONSTRUCTION MATERIALS IN YUNNAN**

#### **Introduction**

The Board, jointly with the KWCM Board announced that on 19 August 2004, Party B (an indirect wholly owned subsidiary of KWCM and a non-wholly owned subsidiary of the Company) entered into the Joint Venture Contract to establish a sino-foreign equity joint

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## LETTER FROM THE BOARD

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venture company in Yunnan, the PRC, to be named Yunnan Kungang & K. Wah Cement Construction Materials Co. Ltd. 雲南昆鋼嘉華水泥建材有限公司. It constituted a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with details of the Joint Venture Contract.

### The Joint Venture Contract

Date: 19 August 2004

- Parties:
- (1) 昆明鋼鐵控股有限公司 (Kunming Steel Holding Co., Ltd.) (Party A), a state-owned entity established in the PRC with principal business activities of holding and managing various state-owned assets and operations, including steel and cement operations in Yunnan
  - (b) Profit Access Investments Limited (Party B), an indirect wholly owned subsidiary of KWCM and a non-wholly owned subsidiary of the Company
  - (c) 雲南華雲實業總公司 (Yunnan Huayun Industrial Holding Company) (Party C), a collective entity established in the PRC with principal business activities in steel and cement production
  - (d) 安寧市投資有限公司 (Anning Investment Co., Ltd.) (Party D), a state-owned entity established in the PRC with principal business activities of investing and managing state-owned assets and funds

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, Party A, Party C and Party D and their respective ultimate beneficial owners are independent third parties not connected with the Company, any director, chief executive or substantial shareholder of the Company or any of their subsidiaries or their respective associates as defined in the Listing Rules.

Business objective of the Joint Venture Company:

The Joint Venture Company shall be established for the principal purpose of manufacture, sale and distribution of cement and slag and related products.

Registered capital and total investment amount of the Joint Venture Company:

The total investment amount of the Joint Venture Company is RMB500 million (approximately HKD471 million), which shall include the registered capital of RMB300 million (approximately HKD283 million).

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## LETTER FROM THE BOARD

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The registered capital will be contributed as to 50% (equivalent to RMB150,000,000, approximately HKD141,400,000) by Party A, as to 30% (equivalent to RMB90,000,000, approximately HKD84,840,000) by Party B, as to 18.692% (equivalent to RMB56,080,000, approximately HKD52,870,000) by Party C and as to 1.308% (equivalent to RMB3,920,000, approximately HKD3,700,000) by Party D.

Party A and Party C shall contribute their respective shares of the registered capital in the form of assets and production facilities comprising workshops, buildings, machinery and electronic equipment of an existing cement and slag plant for the future use by the Joint Venture Company. These assets and production facilities have been valued on a replacement value basis by Yunnan Tianying Certified Public Accountants Co., Ltd., a qualified PRC accountants firm and valuer, in accordance with PRC laws. The valuation report is dated 25 May 2004 and is not made by the valuer for incorporation in this circular. As stated in the valuation report, the valuation as at 31 March 2004 was substantially higher than the total contributions of the registered capital to be made by Party A and Party C, the excess of which will be classified as the Joint Venture Company's liabilities. Party B and Party D shall contribute their respective shares of the registered capital in cash.

The registered capital shall be contributed within 30 days from the date when the business licence of the Joint Venture Company is issued. The business licence is expected to be issued on or around 30 October 2004.

The difference between the total investment amount and the registered capital will be funded by bank borrowings to be arranged by the Joint Venture Company. If required by the lenders which will be independent third parties of the Company, the shareholders shall agree to mortgage the assets of the Joint Venture Company as security or to provide guarantee on several basis in proportion to their respective equity interests in the Joint Venture Company.

Board composition of the Joint Venture Company:

The board of directors of the Joint Venture Company shall consist of seven directors. Party A shall be entitled to appoint four directors, Party B shall be entitled to appoint two directors and Party C shall be entitled to appoint one director.

The chairman of the board shall be appointed by Party A.

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## LETTER FROM THE BOARD

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Profit sharing:	The net profit of the Joint Venture Company after deducting tax and statutory reserves will be shared by the shareholders in proportion to their respective equity interests in the Joint Venture Company, as to 50% by Party A, as to 30% by Party B, as to 18.692% by Party C and as to 1.308% by Party D.
Term of the Joint Venture Company:	50 years from the date when the business licence of the Joint Venture Company is issued.

### Source of Funding

The investment of Party B in the Joint Venture Company will be funded by KWCM's internal resources. As at 31 December 2003, being the date of latest published audited consolidated accounts of KWCM, the net position of the group of KWCM was practicably debt free. It had cash balances of approximately HKD306 million and total bank borrowings of approximately HKD301 million. The majority of the bank borrowings mature over a period of one year or above. It is expected that there will be no material adverse impact on the cash flow as KWCM can still maintain sufficient cash to meet its cash requirements after making the investment in the Joint Venture Company. There is no material adverse effect on the gearing ratio of KWCM as the investment represents only approximately 5% of KWCM's total gross assets. It is also expected that there is no significant effect on earnings and assets and liabilities of KWCM and the Company as the Joint Venture Company is in the initial set-up stage and also that KWCM has only a 30% equity interest in the Joint Venture Company. The Joint Venture Company is expected to be classified as a jointly controlled entity and accounted for under the equity method in the books of KWCM and the Company.

### Reasons for Forming the Joint Venture Company

KWCM's core business is the manufacture, sale and distribution of construction materials in Hong Kong and mainland China. It seeks business expansion through niche acquisitions, joint ventures or business alliances to capitalize on growth opportunities in mainland China.

As the western region of the PRC is undergoing the process of modernization, there will be much room for economic development in its regional provinces. Demand for construction materials, such as cement and slag, is expected to rise significantly in the coming years. Owing to geographical factors, such demand will mostly be satisfied by domestic supply. Yunnan Province is located in western region of the PRC that is undergoing development. It is also the inland region in the PRC that connects with other Asian countries, such as Thailand, Laos and Myanmar. Under the economic development initiatives of the Central government towards the western region, and in order to strengthen the economic relationship with the neighbouring countries, Yunnan Province is allowed to grant certain preferential treatments, such as tax incentives, to qualifying new investments. The Joint Venture Company is one of these qualifying investments. The investment in the Joint Venture Company will serve to establish a foundational foothold for KWCM in its entry to the western mainland China market.



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## LETTER FROM THE BOARD

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Party A is the largest steel manufacturing enterprise in Yunnan Province and a sizeable national industrial conglomerate with strong competitiveness in the market. Party A has sinter resources, which will effectively enhance the cost competitiveness of cement and sinter powder products. This joint venture project with Party A involves innovative dry cement technology and also complies with policies enforced by mainland China in the construction materials production industry. The Board regards Party A as a preferred cooperation partner for the KWCM's business development in Yunnan Province as well as in the western region of the PRC. It is also believed that the cooperation will synergize parties' technology and competency and bring forth remarkable results.

The Board considers that the Joint Venture Contract is fair and reasonable and that the formation of the Joint Venture Company is in the best interest of the Company and its shareholders as it provides an opportunity for KWCM to further expand its business in mainland China and to capture the economic growth of the Greater China. The Board is of the view that this will help enhance the competitive edge and growth potential of the Company and KWCM.

### **General**

KWCM is an indirect 67% owned subsidiary of the Company. The principal activities of the Company are property investment and development in Hong Kong, mainland China and Singapore as well as investment holding in KWCM. The principal activities of KWCM are the manufacture, sale and distribution of construction materials in Hong Kong and mainland China.

### **Discloseable Transaction**

Based on the proportionate share of the registered capital of RMB90,000,000 (approximately HKD84,840,000) to be contributed by Party B to the Joint Venture Company and the maximum amount of guarantee of RMB60,000,000 (approximately HKD56,560,000) that may have to be provided by Party B under the Joint Venture Contract, if necessary, to secure future bank borrowings of the Joint Venture Company (being 30% of the difference between the total investment amount and the registered capital), the Joint Venture Contract constituted a discloseable transaction for the Company under the Listing Rules.

### **Further Information**

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

Yours faithfully  
**Dr. Lui Che Woo**  
*Chairman*

**(1) 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 in this circular misleading.

**(2) QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Yunnan Tianying Certified Public Accountants Co., Ltd.	Accountants firm established under the laws and regulations of the PRC and duly approved by the State Administration for Industry and Commerce of Yunnan Province and a qualified PRC accountant and valuer duly approved by the Finance Bureau

Yunnan Tianying Certified Public Accountants Co., Ltd. has given and has not withdrawn its written consent to the issue of this circular with its statement included in the form and context in which it is included.

As at the Latest Practicable Date, Yunnan Tianying Certified Public Accountants Co., Ltd. has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

**(3) DISCLOSURE OF INTERESTS****(A) Interests of Directors and Chief Executives**

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), KWCM, and the details of any right to subscribe for shares of the Company and KWCM 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 as at the Latest Practicable Date
Lui Che Woo	268,014	7,130,234	38,129,737 <sup>(3)</sup>	1,257,389,151 <sup>(2)</sup>	1,302,917,136	64.85
Francis Lui Yiu Tung	391,164	—	—	1,257,389,151 <sup>(2)</sup>	1,257,780,315	62.60
Lennon Lun Tsan Kau	—	—	—	—	—	—
Eddie Hui Ki On	—	—	—	—	—	—
William Lo Chi Chung	100,000	—	—	—	100,000	0.00
Paddy Tang Lui Wai Yu	4,639,166	—	—	1,257,389,151 <sup>(2)</sup>	1,262,028,317	62.81
David Akers-Jones	—	—	—	—	—	—
Michael Leung Man Kin	—	—	—	—	—	—
Alex Wu Shu Chih	—	—	—	—	—	—
Philip Wong Kin Hang	—	—	—	—	—	—
Leo Lee Tung Hai	—	—	—	—	—	—
Robin Chan Yau Hing	275,676	—	—	—	275,676	0.01
Charles Cheung Wai Bun	7,239	—	—	—	7,239	0.00
Robert George Nield	—	—	—	—	—	—

(b) *Share Options of the Company*

	Options held at the Latest Practicable Date	Exercise Price  (HKD)	Exercise Period
Francis Lui Yiu Tung	1,000,000 1,200,000 1,868,000	0.5586 0.3600 0.7200	20 May 1999 — 19 May 2008 30 Dec 2000 — 29 Dec 2009 1 Mar 2004 — 28 Feb 2013
Lennon Lun Tsan Kau	500,000 1,054,000	0.3600 0.7200	30 Dec 2000 — 29 Dec 2009 1 Mar 2004 — 28 Feb 2013
Eddie Hui Ki On	—	—	—
William Lo Chi Chung	—	—	—
Paddy Tang Lui Wai Yu	600,000 870,000 1,269,000	0.5586 0.3600 0.7200	20 May 1999 — 19 May 2008 30 Dec 2000 — 29 Dec 2009 1 Mar 2004 — 28 Feb 2013
David Akers-Jones	150,000	0.7200	1 Mar 2004 — 28 Feb 2013
Michael Leung Man Kin	300,000	0.7200	1 Mar 2004 — 28 Feb 2013
Alex Wu Shu Chih	150,000	0.7200	1 Mar 2004 — 28 Feb 2013
Philip Wong Kin Hang	300,000	0.7200	1 Mar 2004 — 28 Feb 2013
Leo Lee Tung Hai	150,000	0.7200	1 Mar 2004 — 28 Feb 2013
Robin Chan Yau Hing	150,000	0.7200	1 Mar 2004 — 28 Feb 2013
Charles Cheung Wai Bun	300,000	0.7200	1 Mar 2004 — 28 Feb 2013
Robert George Nield	—	—	—

(c) *Ordinary Shares of KWCM*

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% of Issued Share Capital as at the Latest Practicable Date
						Lui Che Woo
Francis Lui Yiu Tung	2,980	—	—	856,721,578 <sup>(2)</sup>	856,724,558	66.84
Lennon Lun Tsan Kau	—	—	—	—	—	—
Eddie Hui Ki On	—	—	—	—	—	—
William Lo Chi Chung	186,000	—	—	—	186,000	0.01
Paddy Tang Lui Wai Yu	1,861,906	—	—	856,721,578 <sup>(2)</sup>	858,583,484	66.99
David Akers-Jones	—	—	—	—	—	—
Michael Leung Man Kin	—	—	—	—	—	—
Alex Wu Shu Chih	—	—	—	—	—	—
Philip Wong Kin Hang	—	—	—	—	—	—
Leo Lee Tung Hai	—	—	—	—	—	—
Robin Chan Yau Hing	64,903	—	—	—	64,903	0.01
Charles Cheung Wai Bun	1,810	—	—	—	1,810	0.00
Robert George Nield	—	—	—	—	—	—

(d) *Share Options of KWCM*

	Options held at the Latest Practicable Date	Exercise Price (HKD)	Exercise Period
Lui Che Woo	1,500,000	0.5333	20 May 1999 — 19 May 2008
	1,800,000	0.5216	30 Dec 2000 — 29 Dec 2009
	2,000,000	0.5140	1 Mar 2004 — 28 Feb 2013
Francis Lui Yiu Tung	1,000,000	0.5333	20 May 1999 — 19 May 2008
	1,600,000	0.5216	30 Dec 2000 — 29 Dec 2009
	1,870,000	0.5140	1 Mar 2004 — 28 Feb 2013
Lennon Lun Tsan Kau	—	—	—
Eddie Hui Ki On	—	—	—
William Lo Chi Chung	—	—	—
Paddy Tang Lui Wai Yu	600,000	0.5333	20 May 1999 — 19 May 2008
	1,070,000	0.5216	30 Dec 2000 — 29 Dec 2009
	1,270,000	0.5140	1 Mar 2004 — 28 Feb 2013
David Akers-Jones	—	—	—
Michael Leung Man Kin	300,000	0.5333	20 May 1999 — 19 May 2008
	1,070,000	0.5216	30 Dec 2000 — 29 Dec 2009
	300,000	0.5140	1 Mar 2004 — 28 Feb 2013
Alex Wu Shu Chih	—	—	—
Philip Wong Kin Hang	—	—	—
Leo Lee Tung Hai	—	—	—
Robin Chan Yau Hing	—	—	—
Charles Cheung Wai Bun	300,000	0.5140	1 Mar 2004 — 28 Feb 2013
Robert George Nield	—	—	—

*Notes:*

- (1) 35,075,725 shares and 3,054,012 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) 1,257,389,151 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 852,775,351 shares in KWCM 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 trusts was interested in 3,946,227 shares in KWCM.

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 KWCM held by the trusts and in those shares in KWCM in which the Company was interested as aforesaid.

- (3) 76,880,265 shares in KWCM were respectively held by Best Chance Investments Ltd. which was controlled by Dr. Lui Che Woo.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives 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).

**(B) Substantial Shareholders' Interests**

As at the Latest Practicable Date, 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 the Latest Practicable Date
	Long Position	Short Position	
HSBC International Trustee Limited	1,257,390,959 <sup>(1)</sup>	—	62.58
Marapro Co., Ltd.	190,228,080 <sup>(2)</sup>	—	9.47
Symmetry Co., Ltd.	190,228,080 <sup>(2)</sup>	—	9.47
Polymate Co., Ltd.	190,228,080 <sup>(3)</sup>	—	9.47
Morgan Stanley	162,568,007	127,792,738	8.09 (long position) 6.36 (short position)
Moore Michael William	139,555,416	—	6.95
Penta Investment Advisers Ltd	139,555,416	—	6.95
Zwannstra John	139,555,416	—	6.95

*Notes:*

- (1) HSBC International Trustee Limited is the trustee of discretionary trusts which hold 1,257,390,959 shares in the Company.
- (2) Marapro Co., Ltd. is a beneficiary and Symmetry Co., Ltd. is a trustee of a trust which was interested in 190,228,080 shares in the Company.
- (3) Polymate Co., Ltd. is the ultimate holding company of companies interested in 190,228,080 shares in the Company.

There was duplication of interest of:

- (i) 1,257,389,151 shares in the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and HSBC International Trustee Limited. Among these shares, 190,228,080 shares in the Company were also interested by Marapro Co., Ltd., Symmetry Co., Ltd. and Polymate Co., Ltd.;

- (ii) 856,721,578 shares in KWCM between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu; and
- (iii) 139,555,416 shares in the Company between Moore Michael William, Penta Investment Advisers Ltd. and Zwannstra John.

Save as disclosed above, as at the Latest Practicable Date, 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.

#### **(4) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

#### **(5) LITIGATION**

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

#### **(6) COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, Dr. Lui Che Woo (who is also a controlling shareholder), and also Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu ("Relevant Directors"), through a family trust directly or indirectly, are also interested in independently managed companies ("Competing Business") engaged in the business of property investment, trading and development in Hong Kong, which are likely to compete, either directly or indirectly, with the Company's business of property investment and development in Hong Kong. The Relevant Directors are also directors of the holding company of the Competing Business. Nevertheless, the Board has 14 board members and comprises professionals from various disciplines, including property, business management, legal, banking, finance, auditing and accounting. As the Board is independent of the boards of the Competing Business, the Group is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

Given that the Competing Business is more focusing on property investment and trading in Hong Kong while the Company is more focusing on property development both in Hong Kong and mainland China as well as investment holding in KWCM and that the size of the Competing Business is substantially smaller than that of the Company compared on a total assets basis, there is unlikely to be any significant competition between the Competing Business and the business of the Company. The Competing Business's property trading activities and its property portfolio are considered not in line with the Company's current investment strategies and interests and therefore are not included in the Company's business. The Company has a

diversified and well managed property portfolio and is able to maintain its competitiveness to safeguard its interests in property investment and development in Hong Kong. The Relevant Directors do not currently have any intention to inject the Competing Business into the Group.

Besides, the Company is capable of carrying on its business independently through a well balanced corporate governance system. Regular meetings of the Board (including the independent non-executive directors) are held to review the Group's latest performance and development as well as any investment opportunities. The Relevant Directors, in performing their duties as directors of the Company, have always acted and will continue to act in the best interest of the Company and its shareholders as a whole. The Relevant Directors are fully aware of their fiduciary duties and will avoid any conflict of interest. The Relevant Directors will abstain from voting on matters where there is any potential conflict of interest, if and when necessary. As a result, the Group considers that its interest regarding the business of property investment and development in Hong Kong is adequately safeguarded.

**(7) GENERAL**

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The principal place of business in Hong Kong of the Company is at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Mr. Steven Tong Kui Nam.