

1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001. The Directors may, at their discretion, grant options to all eligible employees, including Executive Directors of the Company and its subsidiaries.

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 1991 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

2001 Scheme

On June 28, 2001, the Company adopted a new share option scheme ("2001 Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The 2001 Scheme will expire on June 27, 2011. Under the 2001 Scheme, the Directors may grant options to any full-time employees, including Executive and Non-executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 2001 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

Proposed New Share Option Scheme

On August 23, 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Board considers that it is in the interest of the Company to terminate the 2001 Scheme and to adopt a new share option scheme. Accordingly, the Company on April 24, 2002 announced its intention to adopt a new share option scheme and to terminate the 2001 Scheme.

An ordinary resolution will be proposed for the Company to approve the adoption of the new share option scheme at a special general meeting to be held on May 30, 2002 ("SGM"). A summary of the principal terms of the rules of the new share option scheme, which is proposed to be approved and adopted by the Company at the SGM, is set out in a Circular to be despatched to the Shareholders of the Company together with this Annual Report.

At December 31, 2001, the number of shares in respect of which options had been granted and remained outstanding under the 1991 Scheme and 2001 Scheme were 101,770,400 and 111,700,000, representing 7.2% and 7.9% of the issued share capital of the Company at that date respectively.

The fair values of the options granted in the current year measured as at the dates of grant on January 18, 2001, May 28, 2001, August 10, 2001, August 29, 2001 and November 23, 2001 were HK\$0.07, HK\$0.06, HK\$0.04, HK\$0.05 and HK\$0.03 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Date of grant	Expected life of options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
January 18, 2001	6 years	79%	5.600%	Nil
May 28, 2001	6 years	79%	5.865%	Nil
August 10, 2001	6 years	79%	5.385%	Nil
August 29, 2001	6 years	79%	5.150%	Nil
November 23, 2001	6 years	79%	5.310%	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. 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.

No charge is recognised in the profit and loss account in respect of the value of options granted in the period.

Movement of Share Options

The following table discloses movements in the Company's share options during the year under review:

Eligible Persons	Scheme	Date option granted	Outstanding options at January 1, 2001	Options granted	Options lapsed	Outstanding options at December 31, 2001	Exercisable period	Subscription price per share HK\$
Mr. Wing Sum LEE (Director)	1991	May 13, 1996	2,760,000	0	0	2,760,000	June 17, 1996 – June 16, 2002	0.9460
	1991	July 28, 1997	12,500,000	0	0	12,500,000	August 31, 1997 – August 30, 2003	0.5330
	1991	January 19, 1998	3,000,000	0	0	3,000,000	February 22, 1998 – February 21, 2004	0.2200
	1991	December 21, 1999	6,500,000	0	0	6,500,000	February 11, 2000 – February 10, 2006	0.1400
	1991	February 11, 2000	3,000,000	0	0	3,000,000	March 21, 2000 – March 20, 2006	0.3264
	2001	August 10, 2001	0	35,000,000	0	35,000,000	September 16, 2001 – September 15, 2007	0.1000
Mr. Richard Man Fai LEE (Director)	1991	May 13, 1996	2,760,000	0	0	2,760,000	June 13, 1996 – June 12, 2002	0.9460
	1991	July 28, 1997	13,500,000 *	0	0	13,500,000 *	August 28, 1997 – August 27, 2003	0.5330
	1991	January 19, 1998	3,100,000 *	0	0	3,100,000 *	February 19, 1998 – February 18, 2004	0.2200
	1991	June 10, 1998	1,000,000	0	0	1,000,000	July 24, 1998 – July 23, 2004	0.1053
	1991	December 21, 1999	6,700,000 *	0	0	6,700,000 *	February 7, 2000 – February 6, 2006	0.1400
	1991	February 11, 2000	3,500,000	0	0	3,500,000	March 18, 2000 – March 17, 2006	0.3264

Share Option Information

Eligible Persons	Scheme	Date option granted	Outstanding options at January 1, 2001	Options granted	Options lapsed	Outstanding options at December 31, 2001	Exercisable period	Subscription price per share HK\$
	1991	January 18, 2001	0	23,700,000 *	23,700,000 *	0	N/A	0.1000
	1991	May 28, 2001	0	4,000,000	0	4,000,000	June 29, 2001 – June 28, 2007	0.1000
	2001	August 10, 2001	0	35,000,000	0	35,000,000	September 16, 2001 – September 15, 2007	0.1000
	2001	August 29, 2001	0	500,000 *	0	500,000 *	September 30, 2001 – September 29, 2007	0.1000
Mr. Sammy Chi Chung SUEN (Director)	1991	July 28, 1997	1,000,000	0	0	1,000,000	August 31, 1997 – August 30, 2003	0.5330
	1991	December 21, 1999	300,000	0	0	300,000	February 6, 2000 – February 5, 2006	0.1400
	1991	February 11, 2000	500,000	0	0	500,000	March 22, 2000 – March 21, 2006	0.3264
	1991	January 18, 2001	0	260,000	0	260,000	March 6, 2001 – March 5, 2007	0.1000
	2001	August 10, 2001	0	1,000,000	0	1,000,000	September 19, 2001 – September 18, 2007	0.1000
Ms. Kam Har YUE (Director)	2001	August 29, 2001	0	500,000	0	500,000	September 30, 2001 – September 29, 2007	0.1000
Mr. Barry John BUTTIFANT (Director)	1991	May 28, 2001	0	20,000,000	0	20,000,000	June 30, 2001 – June 29, 2007	0.1000
	2001	August 10, 2001	0	35,000,000	0	35,000,000	September 14, 2001 – September 13, 2007	0.1000
Mr. Jeff Man Bun LEE (Director)	1991	May 13, 1996	600,000	0	0	600,000	June 14, 1996 – June 13, 2002	0.9460
Total :			60,720,000	154,960,000	23,700,000	191,980,000		

* Share options granted to Mr. Richard Man Fai LEE's spouse were included.

Eligible Persons	Scheme	Date option granted	Outstanding options at January 1, 2001	Options granted	Options lapsed	Outstanding options at December 31, 2001	Exercisable period	Subscription price per share HK\$
Continuous contract employees	1991	May 13, 1996	5,436,000	0	237,600	5,198,400	June 14, 1996 – June 30, 2002	0.9460
	1991	July 28, 1997	3,000,000	0	0	3,000,000	August 29, 1997 – September 10, 2003	0.5330
	1991	January 19, 1998	2,418,000	0	204,000	2,214,000	February 20, 1998 – March 12, 2004	0.2200
	1991	December 21, 1999	1,908,000	0	60,000	1,848,000	February 1, 2000 – March 21, 2006	0.1400
	1991	February 11, 2000	2,490,000	0	1,160,000	1,330,000	March 18, 2000 – March 21, 2006	0.3264
	1991	September 8, 2000	3,000,000	0	0	3,000,000	November 5, 2000 – November 4, 2006	0.1413
	1991	January 18, 2001	0	200,000	0	200,000	March 15, 2001 – March 14, 2007	0.1000
	2001	August 29, 2001	0	3,700,000	0	3,700,000	September 30, 2001 – September 30, 2007	0.1000
	2001	November 23, 2001	0	1,000,000	0	1,000,000	December 23, 2001 – December 22, 2007	0.1000
Total :			18,252,000	4,900,000	1,661,600	21,490,400		

Consideration received by the Company in year 2001 for options granted under the 2001 Scheme and 1991 Scheme amounted to HK\$30.

Consideration received by the Company in year 2000 for options granted under the 1991 Scheme amounted to HK\$236.

The closing price of the Company's shares immediately before the dates of grant on January 18, 2001, May 28, 2001, August 10, 2001, August 29, 2001 and November 23, 2001 were HK\$0.093, HK\$0.09, HK\$0.07, HK\$0.071 and HK\$0.048 respectively.