

REPORT OF THE DIRECTORS

Share option scheme (continued)

Subsequent to the adoption of the Scheme on 5 October 1997, the Stock Exchange has introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1 September 2001, since then no share options have been granted under the Scheme. However, any option to be granted in the future under the Scheme shall be subject to the new changes which include, inter alia, the following:

- (a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and
- (c) the exercise price of share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

Under the existing Scheme, the maximum number of share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date of grant. As at 31 December 2001, the number of shares issuable under share options granted under the Scheme was 33,800,000, which represented 4.3% of the Company's shares in issue as at that date. The maximum number of share options issuable to each eligible participant in the Scheme is an amount equivalent to 25% of the total number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted in writing within 30 days from the date of offer and upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options commences on the date after six months from the date of grant and ends on the fifth anniversary of the date of grant, subject to certain cessation provisions.

The exercise price for shares under the Scheme shall be the higher of (i) 80 per cent. of the average of the closing prices of the Company's shares on The Stock Exchange as dated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date of offer; and (ii) the nominal value of the Company's shares.

Share option scheme (continued)

Details of options granted to the directors in prior years under this Scheme and remained outstanding as at 1 January and 31 December 2001 are as follows:

	Number of shares in respect of options granted		
	Granted On 31 October 1997*	Granted on on 11 April 2000**	Outstanding at 1 January and 31 December 2001***
Directors			
KOO Cheng Yun, Leslie	6,000,000	7,000,000	13,000,000
WU Yih Chin	1,800,000	4,500,000	6,300,000
TSAO Jas Yee, James	—	1,000,000	1,000,000
CHIANG Cheng Hsiung	4,000,000	3,000,000	7,000,000
CHEN Chi Hsiung	2,000,000	2,500,000	4,500,000
	13,800,000	18,000,000	31,800,000
Other employees	—	2,000,000	2,000,000
Total	13,800,000	20,000,000	33,800,000

* The share options granted on 31 October 1997 are exercisable within the period from 1 May 1998 to 30 October 2002, both dates inclusive, at an exercise price of HK\$1.0192 per share. The price of the Company's shares at the date of the grant was HK\$1.29, which represented the Stock Exchange closing price of the Company's shares for the trading day immediately prior to the date of the grant of the options.

** The share options granted on 11 April 2000 are exercisable within the period from 11 October 2000 to 10 April 2005, both dates inclusive, at an exercise price of HK\$1.6504 per share. The price of the Company's shares at the date of the grant was HK\$2.40, which represented the Stock Exchange closing price of the Company's shares for the trading day immediately prior to the date of the grant of the options.

*** There were no share options granted, exercised, lapsed or cancelled during the year ended 31 December 2001.

Summary details of the Company's share option scheme are also set out in note 25 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

No theoretical value of the share option is disclosed as no share options were granted during the year.

REPORT OF THE DIRECTORS

Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Share option scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

As at 31 December 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
TCC International Limited	492,642,000	62.45
Taiwan Cement Corporation*	492,642,000	62.45

* Taiwan Cement Corporation is interested in the shares of the Company by virtue of its beneficial ownership of the entire issued share capital of TCC International Limited.

Save as disclosed above, the directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31 December 2001 that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.