

At 1 January 2002, options to subscribe for an aggregate of 28,058,000 shares of the Company granted pursuant to the Pre-Listing Share Option Scheme were outstanding. At 30 June 2002, options to subscribe for an aggregate of 46,839,000 shares of the Company granted pursuant to the Pre-Listing Share Option Scheme and Share Option Scheme were outstanding. The options granted are not recognised in the financial statements until they are exercised. Details of which were as follows:

Pre-Listing Share Option Scheme

At 30 June 2002, options carrying the rights to subscribe for an aggregate of 23,499,000 shares of the Company at a subscription price of HK\$1.80 per share were outstanding. These options were granted to 102 persons (representing approximately 2.36% of the total issued share capital of the Company at 30 June 2002) and the exercise period of these options shall be two years commencing six months from the Listing Date except that for grantees who were granted 1,000,000 or more options, they could (a) during the period from the beginning of the seventh month up to the end of the twelfth month from Listing Date exercise up to 50% of the number of options that they have been granted under the Pre-Listing Share Option Scheme, and (b) exercise the remaining unexercised options after the end of the twelfth month from the Listing Date up to the end of the exercise period.

771,000 options have lapsed as a result of the grantees ceased their employment with the Group. 4,309,000 options have been exercised during the period from 1 January 2002 to 30 June 2002. The weighted average closing market price of shares immediately before the date on which the options were exercised during the period was HK\$2.39 per share.

Share Option Scheme

At 30 June 2002, the following share options granted by the Company under the Share Option Scheme to the employees of the Group to acquire shares were outstanding:

Total number of employees	Number of share options	Date of grant	Exercise price per share	Exercise period
61	23,340,000	11 March 2002	HK\$2.25	12 March 2002 to 11 March 2005

The closing market price of the shares immediately before the date on which the above options were granted was HK\$2.25 per share. No options have been exercised, cancelled or lapsed during the period from the date of grant to 30 June 2002.

According to the Black-Scholes model (*Note*), the total value of the options granted under the Share Option Schemes during the period was estimated at HK\$23,510,620 as at 11 March 2002 with the following variables and assumptions:

- Risk free rate 5.903%, being the approximate yield of 7-year Exchange Fund Note traded on 11 March 2002
- Expected volatility 66.49%, being the annualised volatility of the closing price of the shares of the Company from the Listing Date to 11 March 2002
- Expected dividend yield 1.7%, being 2001 dividend yield of the shares of the Company
- Expected life of the options 3 years
- Number of outstanding options under Share Option Scheme 23,340,000

Note: The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly trade options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option, the Model does not necessarily provide a reliable measure of the fair value of the options.