

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review as the Company or its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means as the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTIONS

The share options scheme of the Company adopted on 27 October 1998 had been terminated and simultaneously a new share options scheme ("Share Options Scheme") in compliance with the newly amended provision of Chapter 17 of Listing Rules which came into effect since 1 September 2001 had been approved and adopted on the annual general meeting of the Company held on 13 October 2003. Under the Share Option Scheme, the Board may, at their discretion invite any eligible grantee as defined in the Share Option Scheme to take up options to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The option holders are entitled to subscribe for ordinary shares in the capital of the Company at any time from the date of acceptance to any date prior to the tenth anniversary of such date. During the period under review, no share option has been granted, and as at 31 October 2003, the Company has no outstanding share options.

## SUBSTANTIAL SHAREHOLDERS

As at 31 October 2003, the following persons (other than a director of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	No. of ordinary shares/ underlying shares held	Approximate percentage of shareholding
Smartgood Investments Limited	1,538,875,000 <i>(Note)</i>	101.18%
Mr. Zhou Weirong	1,538,875,000 <i>(Note)</i>	101.18%

*Note:*

The interests in 1,138,875,000 ordinary shares of HK\$0.05 each and 400,000,000 underlying shares, which represents the interests in HK\$20,000,000 2% convertible notes issued by the Company with the conversion price of HK\$0.05 each, are held by Smartgood Investments Limited ("Smartgood"), a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Zhou Weirong.

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, the directors are not aware of any other persons who have interests or short positions in the shares, underlying share or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

**PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

**CODE OF BEST PRACTICE**

The Company has complied throughout the period under review with the Code of Best Practice ("Code") as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

**AUDIT COMMITTEE**

The Company has established an audit committee ("Audit Committee") in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's financial reporting system and internal controls. The Audit Committee comprises two independent non-executive directors of the Company, namely Messrs. Shum Ka Hei and Cheung Man Yau, Timothy. The unaudited financial statements of the Group for the six months ended 31 October 2003 have been reviewed by the Audit Committee.

On behalf of the Board  
**Tem Fat Hing Fung (Holdings) Limited**  
**Zhou Weirong**  
*Chairman*

Hong Kong, 27 January 2004