

Corporate Governance

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2003, the interests and short positions of the directors and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

1. Interests in shares

Name of director	Number of ordinary shares of HK\$0.10 each in the Company			Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Total	
Thomas TANG Koon Yiu	—	975,000	975,000	0.08%
David SO Cheung Sing	—	24,136,800	24,136,800	2.02%
Marcus TSANG Ming Pui	27,632,775	—	27,632,775	2.31%
Wilson TAM Kam Ho	12,200,000	—	12,200,000	1.02%
Johnny NG Ho Kin	13,878,104	415,800	14,293,904	1.19%
Kenneth SHIM Hing Choi	240,000	—	240,000	0.02%

As at 31 December 2003, certain of the directors also held shares in Elec & Eltek International Company Limited ("EEICL"), a subsidiary of the Company, the shares of which are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange"), as follows:

Name of director	Number of ordinary shares of S\$0.80 each in EEICL			Percentage of EEICL's issued share capital
	Directly beneficially owned	Through spouse	Total	
Canice CHUNG Tai Keung	1,564,800	—	1,564,800	1.07%
Marcus TSANG Ming Pui	—	540,000	540,000	0.37%
Wilson TAM Kam Ho	—	300,000	300,000	0.21%
Johnny NG Ho Kin	386,400	—	386,400	0.26%

2. Interests in underlying shares

(a) Directors' interests in share options of the Company

As at 31 December 2003, certain of the directors directly beneficially held share options of the Company and particulars of those outstanding share options granted under the Scheme as described hereinbelow were as follows:

Name of director	Date of grant	Exercise period	Subscription price HK\$	Number of outstanding share options	
				At beginning of the Period	At end of the Period
Thomas TANG Koon Yiu	7 May 2003	7 May 2005 to 6 May 2006	1.13	5,500,000	5,500,000
		7 May 2006 to 6 May 2007	1.13	5,500,000	5,500,000
Canice CHUNG Tai Keung	30 July 2002	30 January 2003 to 29 July 2004	0.91	5,000,000	5,000,000
David SO Cheung Sing	30 July 2002	30 January 2003 to 29 July 2004	0.91	5,000,000	5,000,000
Johnny NG Ho Kin	30 July 2002	30 January 2003 to 29 July 2004	0.91	5,000,000	5,000,000
Peter LEE Yip Wah	30 July 2002	30 January 2003 to 29 July 2004	0.91	5,000,000	5,000,000
Eugene LEE	30 July 2002	30 January 2003 to 29 July 2004	0.91	5,000,000	5,000,000
				36,000,000	36,000,000

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2. Interests in underlying shares (continued)

(b) Directors' interests in share options of EEICL

As at 31 December 2003, certain of the directors held directly beneficially share options of EEICL and particulars of those outstanding share options granted under the 2002 EEICL Scheme and the 1997 EEICL Scheme as described hereinbelow were as follows:

Name of director	Date of grant	Exercise period	Subscription price US\$	Number of outstanding share options	
				At beginning of the Period	At end of the Period
Thomas TANG Koon Yiu	7 May 2003	8 May 2005 to 6 May 2006	1.450	700,000	700,000
		8 May 2006 to 6 May 2007	1.450	700,000	700,000
Canice CHUNG Tai Keung	19 April 1999	20 April 2000 to 18 April 2004	3.100	156,000	156,000
Johnny NG Ho Kin	19 April 1999	20 April 2000 to 18 April 2004	3.100	120,000	120,000
				1,676,000	1,676,000

Save as disclosed above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective associates, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Except as disclosed above and under the heading "Substantial shareholders" below, none of the directors at 31 December 2003 registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following persons had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of shares held	Percentage shareholding in the Company
Elec & Eltek Investments Limited ("EEIL")	521,921,359 <i>(Note 1)</i>	43.61%
Hallgain Management Limited ("HML")	299,429,000 <i>(Note 2)</i>	25.02%
Kingboard Chemical Holdings Limited ("KCHL")	299,429,000 <i>(Note 3)</i>	25.02%
Jamplan (BVI) Limited ("Jamplan")	142,375,000 <i>(Note 3)</i>	11.90%
Kingboard Investments Limited ("KIL")	82,645,000 <i>(Note 3)</i>	6.91%

Notes

- As at 31 December 2003, EEIL had beneficial interests in 521,921,359 shares in the Company. The shareholders of EEIL are as follows:

Name of shareholder	Percentage of shareholding in EEIL
Plenty Gain Limited	30.97%
Champion Oriental Inc.	29.98%
Goldful Holdings Limited	29.98%
Expert Gold Inc.	9.07%
	<hr/> 100.00%

Plenty Gain Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. David SO Cheung Sing, other than Mr. David SO Cheung Sing himself.

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Champion Oriental Inc. holds the shares of EEIL as trustee for a unit trust, of which 99.9999948% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Marcus TSANG Ming Pui, other than Mr. Marcus TSANG Ming Pui himself, with the remaining units being owned by Mr. Marcus TSANG Ming Pui directly.

Goldful Holdings Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Wilson TAM Kam Ho, other than Mr. Wilson TAM Kam Ho himself.

Expert Gold Inc. holds the shares of EEIL as trustee for a unit trust, of which 99.99998% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Johnny NG Ho Kin, other than Mr. Johnny NG Ho Kin himself.

2. HML was deemed to be interested in 299,429,000 shares in the Company, which was directly or indirectly held by KCHL, by virtue of its holding 36.33% interests in the issued share capital of KCHL.
3. KCHL was directly interested in 141,239,000 shares in the Company and was deemed to be interested in 158,190,000 shares in the Company as held by its subsidiaries, including Jamplan and KIL.

Except as disclosed above, no person, other than the directors of the Company whose interests are set out above, at 31 December 2003 registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

(a) Employees' share option scheme of the Company

On 29 October 2001, the Company adopted the existing employees' share option scheme (the "Scheme"). During the Period, there were no options granted or cancelled under the Scheme and particulars of those outstanding share options granted under the Scheme were as follows:

Category of participant (In aggregate)	Number of outstanding share options				Date of grant*	Exercise period	Exercise price** HK\$	Weighted average closing price immediately preceding the date of exercise*** HK\$
	At 1 July 2003	Exercised during the Period	Lapsed during the Period	At 31 December 2003				
Directors	25,000,000	–	–	25,000,000	30 July 2002	30 Jan 2003 to 29 July 2004	0.91	–
	5,500,000	–	–	5,500,000	7 May 2003	7 May 2005 to 6 May 2006	1.13	–
	5,500,000	–	–	5,500,000	7 May 2003	7 May 2006 to 6 May 2007	1.13	–
Sub-total	<u>36,000,000</u>	<u>–</u>	<u>–</u>	<u>36,000,000</u>				
Other employees	6,160,000	(3,180,000)	(100,000)	2,880,000	30 July 2002	30 Jan 2003 to 29 July 2004	0.91	1.35
Total	<u>42,160,000</u>	<u>(3,180,000)</u>	<u>(100,000)</u>	<u>38,880,000</u>				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights issue or bonus issue, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed is the Stock Exchange weighted average closing price on the trading day immediately prior to the date of exercise over all of the exercises of share options within the disclosure category.

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(b) Employees' share option schemes of EEICL

On 12 November 2002, EEICL adopted the existing employees' share option scheme (the "2002 EEICL Scheme"). During the Period, there were no options granted, exercised or cancelled under the 2002 EEICL Scheme and particulars of those outstanding share options granted under the 2002 EEICL Scheme and the two previous EEICL employee's share options schemes adopted on 30 November 1999 (the "1999 EEICL Scheme") and 2 December 1997 (the "1997 EEICL Scheme") were as follows:

Category of participant (In aggregate)	Number of outstanding share options			Date of grant#	Exercise period	Exercise price## US\$
	At 1 July 2003	Lapsed during the Period	At 31 December 2003			
Directors	276,000	—	276,000	19 Apr 1999	20 Apr 2000 to 18 Apr 2004	3.100
	700,000	—	700,000	7 May 2003	8 May 2005 to 6 May 2006	1.450
	700,000	—	700,000	7 May 2003	8 May 2006 to 6 May 2007	1.450
Sub-total	<u>1,676,000</u>	<u>—</u>	<u>1,676,000</u>			
Other employees	556,800	(33,600)	523,200	19 Apr 1999	20 Apr 2000 to 18 Apr 2004	3.100
	400	—	400	25 May 2000	26 May 2002 to 24 May 2005	1.308
Sub-total	<u>557,200</u>	<u>(33,600)</u>	<u>523,600</u>			
Total	<u>2,233,200</u>	<u>(33,600)</u>	<u>2,199,600</u>			

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The exercise price of the share options is subject to adjustment in the case of rights issue or bonus issue, or other similar changes in EEICL's share capital.

AUDIT COMMITTEE

The Audit Committee engaged the external auditors to assist the Audit Committee in its review of the interim accounts. The external auditors' review consisted of management enquiries and analytical review procedures, but was neither an audit nor a review under the guidelines of SAS700 issued by the Hong Kong Society of Accountants. On 7 February 2004, the Audit Committee met with the management and the external auditors to review the interim financial statements of the Group and consider the significant accounting policies, and to discuss with the management about the Group's internal control system.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Period.