

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2004, the interests of each director and the chief executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

Name of Directors and chief executives	Nature of interests	Number of shares held	Number of share options <sup>(1)</sup>
Chen Zhaobin <i>(Executive Director &amp; President)</i>	Personal	–	2,200,000
Cui Xinzheng <i>(Executive Director &amp; Vice President)</i>	Personal	–	1,200,000
Lo Kin Hang, Brian <i>(Vice President &amp; Company Secretary)</i>	Personal	5,000	800,000

(1) The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share options have an exercise price of HK\$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

Save as disclosed above, as at 30 June 2004, none of the directors or the chief executive of the Company had or was interested, or were deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or which are required to be notified to the company and the Stock Exchange pursuant to Part XV of the SFO and the Model Code for Securities Transaction by Directors of Listed Companies respectively.

## SHARE OPTION SCHEMES

Owing to the enforcement of the new requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in September 2001, the Company adopted a new share option scheme (the "Scheme 2002") at its annual general meeting on 22 May 2002, whereupon the Board of Directors of the Company shall only grant new options under the Scheme 2002.

During the period from 1 January 2004 to 30 June 2004, no options were granted under the Scheme 2002, which will expire on 21 May 2012.

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001, details of which are set out below. Since then, no further options were granted under the Scheme 2001 and, all the options granted under the Scheme 2001 shall however remain valid until their expiry.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised 9,250,000, which represents 2.24% of the issued shares of the Company and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at 30 June 2004, the shares of the Company in issue was 413,265,000 shares.

The particulars of the outstanding share options granted under Scheme 2001 are as follows:

	<b>Options granted on 19 June 2001 and remain outstanding as at 1 January 2004</b>	<b>Options cancelled during the period</b>	<b>Options outstanding as at 30 June 2004</b>
<b>Name of director and chief executive:</b>			
Chen Zhaobin <i>(Executive Director and President)</i>	2,200,000	–	2,200,000
Cui Xinzheng <i>(Executive Director and Vice President)</i>	1,200,000	–	1,200,000
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	800,000	–	800,000
	<hr/> 4,200,000	–	<hr/> 4,200,000
<b>Employees in aggregate:</b>			
Employees under continuous employment contracts	9,670,000	420,000	<hr/> 9,250,000

The above granted options have an exercise price of HK\$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011, whilst there is no minimum period nor any amount payable on application required before exercising the options. The closing price of the shares immediately before the date on which these options were granted was HK\$3.85.

No charge is recognised in the income statement in respect of the value of options granted.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this 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 but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

## AUDIT COMMITTEE

On 18 August 2004, Dr. Lui King Man was appointed as an independent non-executive director of the Company and a member of the audit committee of the Company (the "Audit Committee").

The unaudited Interim Financial Report of the Group for the six months ended 30 June 2004 had been reviewed by the Audit Committee in the meeting on 30 August 2004. The Audit Committee comprises of three independent non-executive directors including Mr. Yuen Pak Yiu, Philip, Dr. Huan Guocang and Dr. Lui King Man.

## APPRECIATION

On behalf of the Board, I would like to offer my sincere thanks to Mr. Cui Xinzheng, who resigned as the Executive Director; Messrs. Wu Hongju, Wu Jinfeng, Wong Hung Khim, Lim Shyong and Tseng Ta-mon, who resigned as the Non-Executive Directors; Mr. Chen Chichuan, who resigned as Alternate Director, of the Company, for their contributions to the development of the Group.

On behalf of the Board, I would like also warmly welcome Mr. Lim Wee Seng and Mr. Tseng Ta-mon joining the Board as Alternate Directors of the Company. Last but not least, I would like to take this opportunity to thank all our staff for their hardworking and commitment contributed to the Group.

**Liu Ji Yuan**  
*Chairman*

Dongguan, PRC, 8 September 2004