

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 22 January 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of the options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the SEHK on the date of grant and (iii) the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options may be exercised progressively after one to three years from the date of grant and are exercisable for a period to be notified by the directors to each options holder upon the grant of the option. Such period will not exceed ten years from the date on which the option is granted. The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time. Subject always to the above overall limit, the directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 10% of the issued share capital of the Company as at 7 February 2002, being the date on which the Company's shares were listed on the SEHK. For the purpose of calculating the above, options lapsed in accordance with the share option scheme shall not be counted.

The total number of securities available for issue under the share option scheme as at 30 June 2004 was 23,611,000 shares (including options for 23,597,000 shares that have been granted but not yet lapsed or became exercisable) which represented 3.5% of the issued share capital of the Company at 30 June 2004. In respect of the maximum entitlement of each participant under the scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

As at 30 June 2004, the directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company granted at nominal consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one share and the consideration paid by each holder for the options granted is HK\$1.00.



| | No. of options outstanding as at 1 January 2004 | No. of options outstanding as at 30 June 2004 | Date granted | Period during which options exercisable (note 1) | Exercise price per share | No. of options exercised during the period | Weighted average closing price immediately before the date on which the options were exercised | No. of options lapsed during the period (note 2) |
|-----------------------------------|--|--|-----------------|---|--------------------------------|--|--|---|
| <i>Directors</i> | | | | | | | | |
| Chui Hong Min | 4,550,000 | 2,600,000 | 7 February 2002 | 7 February 2003 to 7 February 2012 | HK\$1.18 | 1,950,000 | HK\$2.375 | - |
| Young M. Lee | 3,400,000 | 1,560,000 | 7 February 2002 | 7 February 2003 to 7 February 2012 | HK\$1.18 | 1,840,000 | HK\$2.417 | - |
| Tae Sub Choi | 1,950,000 | 1,365,000 | 15 April 2003 | 15 April 2004 to 15 April 2013 | HK\$1.43 | 585,000 | HK\$2.150 | - |
| <i>Employees in aggregate</i> | | | | | | | | |
| | 10,480,000 | 5,981,000 | 7 February 2002 | 7 February 2003 to 7 February 2012 | HK\$1.18 | 4,499,000 | HK\$2.379 | - |
| | 650,000 | 455,000 | 15 April 2003 | 15 April 2004 to 15 April 2013 | HK\$1.43 | 195,000 | HK\$2.150 | - |
| | - | 11,650,000 | 2 January 2004 | 2 January 2005 to 2 January 2014 | HK\$1.87 | - | - | - |

Notes:

- (1) The maximum percentage of the share options that may be exercised is determined in stages as follows:

Percentage of share options granted

| | |
|---|-------------|
| On or after 1st year anniversary of the date of grant | 30% |
| On or after 2nd year anniversary of the date of grant | another 30% |
| On or after 3rd year anniversary of the date of grant | another 40% |

- (2) Pursuant to the condition of the share option scheme, any unexercised number of options granted to any employees will lapse three months after the employee ceases employment relationship with the Company.

The vesting period of the above granted share options are ten years commencing on the date on which an option is granted in accordance with the scheme.

The closing price of the shares of the Company immediately before the date on which the share options were granted on 2 January 2004 was HK\$2.375. The share options granted are not recognised in the financial statements until they are exercised. The weighted average value per option granted during the six month period ended 30 June 2004 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.561. The weighted average assumptions used are as follows:

| | |
|-----------------------------------|-----------|
| Risk-free interest rate per annum | 4.37% |
| Expected life | 10 years |
| Annualised volatility | 44.90% |
| Expected dividend per share | HK\$0.094 |

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model costs does not necessarily provide a reliable measure of the fair value of the share options.

Apart from the foregoing, at no time during the period was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the director or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2004, the following substantial shareholders' interests were recorded in the register required to be kept by the Company under Section 336 of the SFO as holding 5% or more of the issued share capital of the Company:

| Name | Ordinary shares held | Percentage of total issued shares |
|--|---------------------------------|--|
| C & H Co., Ltd. | 382,850,000 | 57.35% |
| Uni-Link Technology Limited | 72,150,000 | 10.81% |
| Kyoo Yoon Choi (<i>note 1</i>) | 455,000,000 | 68.16% |
| Arisaig Greater China Fund | 45,318,000 | 6.79% |
| Arisaig Partners (Mauritius) Limited (<i>note 2</i>) | 45,318,000 | 6.79% |
| Lindsay William Ernest Cooper (<i>note 3</i>) | 45,318,000 | 6.79% |