

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:

<b>Name</b>	<b>Ordinary shares held</b>	<b>Percentage of total issued shares</b>
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%



*Notes:*

- (1) Kyoo Yoon Choi, together with his wife, Woul Hee Cha, and his two children under age of eighteen, You Jin Choi and Soo Jin Choi, hold approximately 76.21% of the issued share capital of C & H Co., Ltd. and Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. Kyoo Yoon Choi is considered to have deemed interests in the 455,000,000 ordinary shares as to approximately 68.16% of the issued shares of the Company.
- (2) Arisaig Partners (Mauritius) Limited is the fund manager of Arisaig Greater China Fund.
- (3) Lindsay William Ernest Cooper is deemed interested through his indirect 33.33% beneficial interest in Arisaig Partners (Mauritius) Limited.

Save as disclosed above, as at 30 June 2004, the Company is not aware of any other registered substantial shareholder who holds 5% or more of the issued share capital of the Company.

**AUDIT COMMITTEE**

The Audit Committee has reviewed with the management and the Company's auditor, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the interim report for the six months ended 30 June 2004 with the Directors.

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

During the six month period ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

During the six month period ended 30 June 2004, none of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on SEHK.

By order of the board

**Chul Hong Min**

*President and Chief Executive Officer*

Hong Kong, 15 September 2004