

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who, as at 30 June 2004, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

SHARE OPTIONS

The following table discloses the details of the share options and movements in such holdings during six months ended 30 June 2004 were as follows:

Grantees	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options		At 30.06.2004	
				At 1.1.2004	Granted during the period		Exercised during the period
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	24,975,377	–	24,975,302	75
	6.3.2003	6.3.2003 – 5.3.2013	0.76	8,939,339	–	8,938,735	604
	8.6.2004	8.6.2004 – 7.6.2014	0.82	–	71,202,000	–	71,202,000
Former Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	24,836,037	–	24,836,037	–
	6.3.2003	6.3.2003 – 5.3.2013	0.76	8,278,679	–	8,278,679	–
Employees	23.8.2002	23.8.2002 – 6.6.2012	0.73	2,000,000	–	2,000,000	–
	6.3.2003	6.3.2003 – 5.3.2013	0.76	2,980,000	–	1,650,000	1,330,000
	8.6.2004	8.6.2004 – 7.6.2014	0.82	–	14,584,000	–	14,584,000
Others	23.8.2002	23.8.2002 – 6.6.2012	0.73	2,000,000	–	2,000,000	–
	6.3.2003	6.3.2003 – 5.3.2013	0.76	8,770,000	–	8,770,000	–
				<u>82,779,432</u>	<u>85,786,000</u>	<u>81,448,753</u>	<u>87,116,679</u>



SHARE OPTIONS (continued)

Notes:

1. Due to the changes of directorship and resignation of employees during the period under review, the number of share options at 1 January 2004 set out above had been reclassified to reflect the opening balances of the share options with the classification at 30 June 2004.
2. Details of share options granted to Directors are set out in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.
3. No share options were lapsed or cancelled under the share option scheme of the Company adopted on 7 June 2002 during the six months ended 30 June 2004.
4. The weighted average closing price of the Shares immediately before the dates on which share options were exercised during the period was HK\$1.25.
5. The closing price of the Shares immediately before 23 August 2002, 6 March 2003 and 8 June 2004 at which dates the share options were granted were HK\$0.69, HK\$0.70 and HK\$0.60 per share respectively.
6. The number of share options granted during the period to Mr. Cao Zhong, Mr. Chen Zheng, Mr. Wang Tian, Ms. Cheng Xiaoyu and Mr. Chen Jianyong on 8 June 2004 each exceeded the individual limit of 1% of the Shares then in issue and were approved by the shareholders of the Company on 8 June 2004.
7. The share options granted on 8 June 2004 will be exercisable not later than 7 June 2014 and subject to the following restrictions on the exercise period of the options and the sale of the relevant Shares:
 - up to 40%, 70%, the balance of the share options will be exercisable from the 13th, the 25th and the 37th month respectively after the date of offer of grant.
 - the Shares then in issue may not be sold within 90 days from their relevant allotment date.

All other share options were vested in full at the date of grant.

8. The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such item as the share options are exercised, and no charge is recognised in the income statement in respect of the value of share options granted during the period. Upon the exercise of the share options, the resulting Shares issued are recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the exercise price per Share over the nominal value of the Shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding share options.
9. The Directors consider that it is not appropriate to state herein the value of the share options granted during the six months ended 30 June 2004. Any such valuation will be made on the basis of certain options pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of the share options as at 30 June 2004 based on a number of speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

