

At the date of this report, the number of shares in respect of which options could be exercisable under the 2002 Scheme was 603,700,000 representing approximately 13.71% of the shares of the Company in issue at the date.

The closing prices of the Company's shares immediately before 23rd September, 2004, the dates of grant of options, was HK\$0.070.

The fair value of the options granted in the current year measured at the date of grant on 23rd September, 2004 was approximately HK\$8,256,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

	Date of grant
	23rd September, 2004
Expected life of the options granted	10 years
Expected volatility based on historical volatility	52%
Expected annual dividend yield	Nil
Hong Kong Exchange Fund Notes interest rate at the date the options were granted	0.125%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of directors, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

SHARE OPTION SCHEMES

(a) The 1996 Scheme

Pursuant to the share option scheme adopted on 5th March, 1996 (the "1996 Scheme") and effective for a period of ten years after the date of adoption of the scheme, the Company granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The subscription price, subject to adjustment, shall not be less than 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable for a period of four and a

half years commencing on the expiry of six months after the date on which the options are granted. The total number of shares in respect of which options may be granted and had already been granted under the 1996 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted and had already been granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the 1996 Scheme.

Pursuant to the special resolution passed by shareholders of the Company on 18th March, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but in all other respects, the provisions of the 1996 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

At 30th September, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 1996 Scheme was 6,648,000 (31st March 2004: 6,648,000), representing 0.15% (31st March 2004: 0.15%) of the shares of the Company in issue at that date.

(b) The 2002 Scheme

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital as at 18th March, 2002, i.e. 403,237,500 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

At 30th September, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 603,700,000, representing 13.71% of the shares of the Company in issue at that date.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the six months ended 30th September, 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2004, the interests of parties, other than the directors, in 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO are as follows:–

Name	Capacity	Interest in Shares	Interests in underlying shares	Percentage of the Company's Issued share capital
Ms. Feng Gui Ming (Note 1)	Interest By Attribution	2,256,000,000	12,000,000	51.52%
Ms. Wong Hung Wan (Note 2)	Interest By Attribution	2,256,000,000	10,000,000	51.47%
Best Chance Holdings Limited	Beneficial owner	2,256,000,000	–	51.24%
Fortune Garden Investment Limited	Beneficial owner	305,018,760	–	6.93%
Kingston Finance Limited	Security Interest	2,256,000,000	–	51.24%
Ms. Chu Yuet Wah	Interest by Attribution (Note 3)	2,256,000,000	–	51.24%
Ms. Ma Siu Fong	Interest by Attribution (Note 3)	2,256,000,000	–	51.24%