



SHARE OPTIONS

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. Details of movement in the share options under the Scheme during the six months ended 30 June 2005 were as follows:

Category of grantees	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred from other category during the period ³	Transferred to other category during the period ³	Exercised during the period ⁴	At the end of the period			
Directors of the Company ^{1&2}	85,850,000	-	(22,950,000)	-	62,900,000	23.8.2002	23.8.2002 – 22.8.2012	HK\$0.295
	18,360,000	-	-	-	18,360,000	12.3.2003	12.3.2003 – 11.3.2013	HK\$0.280
	223,750,000	-	(52,796,000)	(6,000,000)	164,954,000	18.11.2003	18.11.2003 – 17.11.2013	HK\$0.410
	<u>327,960,000</u>	<u>-</u>	<u>(75,746,000)</u>	<u>(6,000,000)</u>	<u>246,214,000</u>			
Employees of the Group	3,100,000	-	-	(2,700,000)	400,000	23.8.2002	23.8.2002 – 22.8.2012	HK\$0.295
	110,000	-	-	-	110,000	12.3.2003	12.3.2003 – 11.3.2013	HK\$0.280
	11,000,000	-	-	-	11,000,000	18.3.2004	18.3.2004 – 17.3.2014	HK\$0.660
	<u>14,210,000</u>	<u>-</u>	<u>-</u>	<u>(2,700,000)</u>	<u>11,510,000</u>			
Other participants	54,050,000	22,950,000	-	(300,000)	76,700,000	23.8.2002	23.8.2002 – 22.8.2012	HK\$0.295
	61,850,000	-	-	-	61,850,000	12.3.2003	12.3.2003 – 11.3.2013	HK\$0.280
	-	52,796,000	-	-	52,796,000	18.11.2003	18.11.2003 – 17.11.2013	HK\$0.410
	5,000,000	-	-	-	5,000,000	18.3.2004	18.3.2004 – 17.3.2014	HK\$0.660
	<u>120,900,000</u>	<u>75,746,000</u>	<u>-</u>	<u>(300,000)</u>	<u>196,346,000</u>			
	<u>463,070,000</u>	<u>75,746,000</u>	<u>(75,746,000)</u>	<u>(9,000,000)</u>	<u>454,070,000</u>			

SHARE OPTIONS (continued)

Notes:

1. Details of the share options granted to each director of the Company are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. The number of share options granted to Mr. Cao Zhong, Mr. Chen Zhouping and Mr. Tsoi Wai Kwong, all being directors of the Company as at 30 June 2005, on 18 November 2003 each exceeded the individual limit of 1% of the shares of the Company then in issue and were approved by the shareholders of the Company on 18 November 2003.
3. The share options were held by a grantee who ceased to be a director of the Company during the period but remained as a director of the Company's subsidiaries. Such share options remain exercisable up to the original respective expiry dates and were re-classified from the category of "Directors of the Company" to "Other participants" during the period.
4. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$0.64 per share.

No share option was granted, cancelled or lapsed in accordance with the terms of the Scheme during the six months ended 30 June 2005.

AUDIT COMMITTEE

The Company has engaged the Auditors to assist the Audit Committee to review the 2005 interim results of the Group. A meeting of the Audit Committee was held with the Auditors and the management of the Company on 7 September 2005 for, amongst other things, reviewing the interim results of the Group for the period ended 30 June 2005.



COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") (with the exception of code provision C.2 on internal control which is effective for accounting periods commencing on or after 1 July 2005) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2005, except for the following deviations:-

- Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. However, non-executive directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code. To further improve its corporate governance structure, the Company will try its best to procure any future appointment of non-executive director with a specific term and subject to retirement.

- Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

The Chairman of the Board had not attended the annual general meeting of the Company held on 13 June 2005 (the "Meeting") as he had another business engagement. The Managing Director of the Company, who took the chair of the Meeting, and other members of the Board together with the Chairman and majority of members of the audit, remuneration and nomination committees attended the Meeting. The Company considers that the members of the Board and the audit, remuneration and nomination committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all the directors of the Company, all the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By Order of the Board

Cao Zhong

Managing Director

Hong Kong, 14 September 2005