

SHARE OPTION SCHEMES

The Company

Details of share options to subscribe for shares in the Company granted to participants under the share option schemes of the Company during the six months ended 30 June 2002 were as follows:

| Date of grant | Exercise price per share (HK\$) | Exercise period | Notes | Number of options | | | | |
|---------------|---------------------------------------|----------------------|-----------|--|---------------------------------|---------------------------------|--------------------------------|--------------------------------------|
| | | | | Outstanding as at 1 January 2002 | Adjusted on 25 April 2002 | Granted during the period | Lapsed during the period | Outstanding as at 30 June 2002 |
| Directors | | | | | | | | |
| 4/10/1999 | 0.59 | 8/4/2000-7/4/2002 | (2) | 128,750,000 | - | - | (128,750,000) | - |
| 1/6/2000 | 7.00 | 1/12/2000-30/11/2002 | (2) | 10,000,000 | (9,500,000) | - | - | 500,000 |
| 6/11/2000 | 5.40 | 16/5/2001-15/5/2003 | (2) | 25,000,000 | (23,750,000) | - | - | 1,250,000 |
| 2/5/2002 | 1.32 | 2/5/2002-30/4/2003 | (2) | - | - | 15,600,000 | - | 15,600,000 |
| | | | | <u>163,750,000</u> | <u>(33,250,000)</u> | <u>15,600,000</u> | <u>(128,750,000)</u> | <u>17,350,000</u> |
| Employees | | | | | | | | |
| 13/5/1999 | 4.60 | 13/11/2000-12/5/2002 | | 750,000 | (712,500) | - | (37,500) | - |
| 4/10/1999 | 0.59 | 8/4/2000-7/4/2002 | (3) | 23,810,000 | - | - | (23,810,000) | - |
| 15/11/1999 | 12.20 | 1/11/2000-31/10/2002 | (5) | 10,000,000 | - | - | (10,000,000) | - |
| 10/1/2000 | 16.00 | 10/1/2001-9/1/2003 | | 10,000,000 | (9,500,000) | - | - | 500,000 |
| 10/1/2000 | 16.00 | 11/7/2000-10/7/2002 | (3) | 500,000 | (475,000) | - | - | 25,000 |
| 1/6/2000 | 7.00 | 1/12/2000-30/11/2002 | (4) | 45,000,000 | (42,750,000) | - | - | 2,250,000 |
| 28/7/2000 | 9.80 | 1/2/2001-31/1/2003 | (3) | 1,000,000 | (950,000) | - | - | 50,000 |
| 6/11/2000 | 5.40 | 16/5/2001-15/5/2003 | (4) | 25,000,000 | (23,750,000) | - | - | 1,250,000 |
| 6/11/2000 | 5.40 | 16/5/2001-15/5/2003 | (3) | 6,000,000 | (5,700,000) | - | - | 300,000 |
| 2/2/2001 | 4.80 | 16/8/2001-15/8/2003 | (3) | 6,000,000 | (5,700,000) | - | - | 300,000 |
| 31/8/2001 | 2.60 | 1/3/2002-28/2/2004 | (4) | 90,000,000 | (85,500,000) | - | - | 4,500,000 |
| 2/5/2002 | 1.32 | 2/5/2002-30/4/2003 | (6) | - | - | 4,500,000 | - | 4,500,000 |
| 2/5/2002 | 1.32 | 1/11/2002-31/10/2003 | (4) & (6) | - | - | 2,000,000 | - | 2,000,000 |
| | | | | <u>218,060,000</u> | <u>(175,037,500)</u> | <u>6,500,000</u> | <u>(33,847,500)</u> | <u>15,675,000</u> |
| | | | | <u>381,810,000</u> | <u>(208,287,500)</u> | <u>22,100,000</u> | <u>(162,597,500)</u> | <u>33,025,000</u> |

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002.
 - (2) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities" under the sub-heading "Rights to acquire shares in the Company".
 - (3) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.
 - (4) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.
 - (5) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
 - (6) The closing price of the share immediately before the date of grant was HK\$1.32.
 - (7) The lapsed options were due to expiry or cessation of employment of participants with the Group.
 - (8) No option was exercised or cancelled during the period.
 - (9) The fair value of the options granted during the period totalled approximately HK\$14,383,270. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:
 - (i) an expected volatility of 41.6%;
 - (ii) no annual dividends; and
 - (iii) the estimated expected life of the options granted during the period is 2.5 years. The corresponding 2.5 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.75%.
- The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.
- (10) Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.
 - (11) No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the period.

The subsidiaries

Details of share options to subscribe for shares in CFSG and Pricerite granted to participants under the share option schemes of CFSG and Pricerite respectively during the six months ended 30 June 2002 were as follows:

1. CFSG

| | | | | | Number of options | | | |
|----------------------|---------------|---------------------------------|---------------------|-------|----------------------------------|--------------------------|---------------------------|--------------------------------|
| Name | Date of grant | Exercise price per share (HK\$) | Exercise period | Notes | Outstanding as at 1 January 2002 | Lapsed during the period | Adjusted on 25 April 2002 | Outstanding as at 30 June 2002 |
| Directors | | | | | | | | |
| Law Ka Kin Eugene | 26/3/2001 | 2.20 | 1/10/2001–30/9/2004 | (2) | 25,000,000 | – | (23,750,000) | 1,250,000 |
| Law Ping Wah Bernard | 26/3/2001 | 2.20 | 1/10/2001–30/9/2004 | (2) | 20,000,000 | – | (19,000,000) | 1,000,000 |
| | | | | | <u>45,000,000</u> | <u>–</u> | <u>(42,750,000)</u> | <u>2,250,000</u> |
| Employees | | | | | | | | |
| | 26/3/2001 | 2.20 | 1/10/2001–30/9/2004 | (2) | 55,000,000 | – | (52,250,000) | 2,750,000 |
| | 27/3/2001 | 2.20 | 1/10/2001–30/9/2004 | (2) | 24,100,000 | (1,000,000) | (21,945,000) | 1,155,000 |
| | | | | | <u>79,100,000</u> | <u>(1,000,000)</u> | <u>(74,195,000)</u> | <u>3,905,000</u> |
| | | | | | <u>124,100,000</u> | <u>(1,000,000)</u> | <u>(116,945,000)</u> | <u>6,155,000</u> |

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CFSG for 20 shares into 1 share with effect from the close of business on 25 April 2002.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (3) The lapsed options were due to cessation of employment of participants with the Group.
- (4) No option was granted, exercised or cancelled during the period.

2. Pricerite

| Name | Date of grant | Exercise price per share (HK\$) | Exercise period | Notes | Number of options | | |
|----------------------|---------------|---------------------------------|---------------------|-------|----------------------------------|---------------------------|--------------------------------|
| | | | | | Outstanding as at 1 January 2002 | Granted during the period | Lapsed during the period |
| | | | | | | | Outstanding as at 30 June 2002 |
| Directors | | | | | | | |
| Kwan Pak Hoo Bankee | 12/6/2000 | 0.32 | 13/6/2000-12/6/2002 | | 18,000,000 | - | (18,000,000) |
| | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 20,000,000 | - |
| Law Ping Wah Bernard | 12/6/2001 | 0.21 | 16/6/2001-15/6/2003 | | 7,200,000 | - | - |
| | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 13,000,000 | - |
| Kwok Oi Kuen | | | | | | | |
| Joan Elmond | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 20,000,000 | - |
| | 12/6/2001 | 0.21 | 16/6/2001-15/6/2003 | | 14,400,000 | - | - |
| Li Yuen Cheuk Thomas | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 6,000,000 | - |
| | 12/6/2001 | 0.21 | 16/6/2001-15/6/2003 | | 7,200,000 | - | (7,200,000) |
| Khoo Ken Wee | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 13,000,000 | (13,000,000) |
| | | | | | <u>46,800,000</u> | <u>72,000,000</u> | <u>(38,200,000)</u> |
| | | | | | | | <u>80,600,000</u> |
| Employees | | | | | | | |
| | 12/6/2000 | 0.32 | 13/6/2000-12/6/2003 | (1) | 4,437,000 | - | (270,000) |
| | 12/6/2000 | 0.32 | 13/6/2000-12/6/2002 | (2) | 3,600,000 | - | (3,600,000) |
| | 17/1/2002 | 0.21 | 1/2/2002-31/1/2004 | | - | 42,500,000 | - |
| | | | | | <u>8,037,000</u> | <u>42,500,000</u> | <u>(3,870,000)</u> |
| | | | | | | | <u>46,667,000</u> |
| | | | | | <u>54,837,000</u> | <u>114,500,000</u> | <u>(42,070,000)</u> |
| | | | | | | | <u>127,267,000</u> |

Notes:

- (1) The options are vested in 3 tranches as to (i) 1/3 exercisable from the commencement of the exercise period; (ii) 1/3 exercisable from the expiry of 12 months from the commencement of the exercise period; and (iii) 1/3 exercisable from the expiry of 24 months from the commencement of the exercise period.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.
- (3) The closing price of the share immediately before the date of grant was HK\$0.207.
- (4) The lapsed options were due to cessation of employment of participants with the Group or expiry.
- (5) No option was cancelled during the period.
- (6) The fair value of the options granted during the period totalled approximately HK\$3,606,750. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:
 - (i) an expected volatility of 25.4%;
 - (ii) no annual dividends; and
 - (iii) the estimated expected life of the options granted during the period is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.75%.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

- (7) Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.
- (8) No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the period.
- (9) Mr Kwan Pak Hoo Bankee is also a substantial shareholder of the Company
- (10) Mr Khoo Ken Wee has resigned as Director of the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

| Name | Number of shares | Shareholding (%) |
|-------------------------------------|------------------|---------------------|
| Kwan Pak Hoo Bankee (<i>Note</i>) | 156,952,376 | 51.38 |
| Jeffnet Inc (<i>Note</i>) | 156,952,376 | 51.38 |
| Cash Guardian | 156,952,376 | 51.38 |

Note: This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc ("Jeffnet")). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian.

Save as disclosed above, as at 30 June 2002, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonable indicate that the Company is not, or was not for any part of the accounting period from 1 January 2002 to 30 June 2002, in compliance with Code of Best Practice as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange, save that the Independent Non-executive Directors of the Company were not appointed for specific terms but subject to retirement by rotation at annual general meeting as specified by the Company's bye-laws.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2002, the Company purchased shares of HK\$0.10 each in the Company on the Stock Exchange as follows:

| 2002 Month | Number of shares purchased | Highest price paid per share (HK\$) | Lowest price paid per share (HK\$) | Aggregate price paid (before expenses) (HK\$) |
|---------------|-------------------------------|--|---|--|
| May | 1,126,000 | 1.96 | 1.87 | 2,141,420.00 |
| June | <u>13,116,000</u> | 1.99 | 1.00 | <u>24,447,040.00</u> |
| Total | <u>14,242,000</u> | | | <u>26,588,460.00</u> |

The above shares were cancelled upon repurchase.

The reason for making the purchases was to enhance the net value per share in the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2002.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 8 August 2002