

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 13 May 2002, the Company adopted a new share option scheme (the "Existing Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules.

The Company operates the Existing Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. Eligible participants of the Existing Scheme include, but not limited to, any employees, including directors of the Company or any of its subsidiaries or investee companies.

During the six months ended 30 September 2002, options carrying the rights to subscribe for a total of 20,000,000 shares were granted under the Existing Scheme, none of these options has been exercised, cancelled or lapsed during the period.

The share option scheme adopted by the Company on 1 April 1996 (the "Old Scheme") was terminated on 13 May 2002. Upon termination of the Old Scheme, no further share options will be granted thereunder but the provisions of the Old Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

The following share options were outstanding under the Old Scheme during the period:

Number of share options									Price of Company's
Name or category of participant	At 1 April 2002	Granted during the period	Adjustment due to Rights Issue (Note 2)	Exercised during the period	At 30 September 2002	Date of grant of share options (Note 1)	Exercise period of share options (both dates inclusive)	Exercise price of share options HK\$	shares at grant date of options (Note 5) HK\$
Director									
Lee Jeong Kwan	2,000,000	-	1,000,000	(3,000,000) (Note 3)	-	2 November 2001	2 May 2002 – 1 May 2005	0.18 (Note 2)	0.24
Other employees									
In aggregate	5,500,000	-	2,750,000	-	8,250,000	28 December 1999	28 June 2000 – 27 June 2003	0.72 (Note 2)	1.72
	3,500,000	-	1,750,000	-	5,250,000	20 October 2000	20 April 2001 – 19 April 2003	0.31 (Note 2)	0.53
	2,700,000	-	-	(2,700,000) (Note 4)	-	2 November 2001	2 May 2002 – 1 May 2005	0.265	0.24
	<u>13,700,000</u>	<u>-</u>	<u>5,500,000</u>	<u>(5,700,000)</u>	<u>13,500,000</u>				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The number of share options granted and the corresponding exercise price of the share options were adjusted to take into account the effect of the Rights Issue completed on 3 June 2002.
3. The number of share options granted to Mr. Lee Jeong Kwan was adjusted from 2,000,000 to 3,000,000 and the corresponding exercise price was adjusted from HK\$0.265 to HK\$0.18 per share to take into account the effect of the Rights Issue completed on 3 June 2002. During the period under review, Mr. Lee exercised his options to subscribe for 3,000,000 shares of the Company. The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.275.

4. On 3 May 2002, certain employees of the Company exercised their options to subscribe for a total of 2,700,000 shares of the Company at the exercise price of HK\$0.265 per share. The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.369.
5. The price of the Company's shares disclosed as at the date of the grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of options.

The following share options were outstanding under the Existing Scheme during the period:

Name or category of participant	Number of share options			Date of grant of share options (Note a)	Exercise period of share options (both dates inclusive)	Exercise price of share options (Note b) HK\$	Price of Company's shares at grant date of options (Note c) HK\$
	At	Granted	At 30				
	1 April	during the	September				
	2002	the period	2002				
Director							
So Wai Yin	–	1,000,000	1,000,000	22 May 2002	23 May 2002 – 12 May 2012	0.346	0.31
Other employees							
In aggregate	–	19,000,000	19,000,000	22 May 2002	23 May 2002 – 12 May 2012	0.346	0.31
	–	20,000,000	20,000,000				

- * None of the share options granted under the Existing Scheme has been exercised, cancelled or lapsed during the period.

Notes:

- (a) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (c) The price of the Company's shares disclosed as at the date of the grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of options.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. 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. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period because the directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance or have otherwise notified to the Company:

Name	Number of shares held	Percentage of the Company's issued share capital
B.K.S. Company Limited	123,508,300 (<i>Note</i>)	34.16
Credit Cash Limited	123,508,300 (<i>Note</i>)	34.16
Ansbacher (BVI) Limited	123,508,300 (<i>Note</i>)	34.16

Note: 123,508,300 shares in the Company were beneficially held by B.K.S. Company Limited which is a wholly-owned subsidiary of Credit Cash Limited. Credit Cash Limited is a company wholly-owned by Ansbacher (BVI) Limited which is the trustee of a discretionary trust the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan. Therefore, the shares in which B.K.S. Company Limited was shown as being interested duplicate those of Credit Cash Limited and Ansbacher (BVI) Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2002, the Group employed a total of approximately 800 full time employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees to provide incentive to the participants for their contribution, and continuing efforts to promote the interests of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial report for the six months ended 30 September 2002 with the directors.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Non-executive directors of the Company are not appointed for a specific term as all of the directors, excluding the Managing Director, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

By Order of the Board
So Yuk Kwan
Chairman

Hong Kong, 8 November 2002