

## SHARE OPTION SCHEME

The following share options were outstanding under the Company's share option scheme during the period:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options	Company's share price at grant date of share options
	At 1 April 2004	Lapsed during the period	At 30 September 2004				
				(Note 1)		(Note 2) HK\$	(Note 3) HK\$
<b>Directors</b>							
Lee Jeong Kwan	2,000,000	–	2,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Lai Yun Wing	1,000,000	–	1,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Lai Yat Hung, Edmund	500,000	–	500,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
So Chi On	400,000	–	400,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	<u>3,900,000</u>	<u>–</u>	<u>3,900,000</u>				
<b>Other employees</b>							
In aggregate	11,100,000	100,000	11,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	<u>11,100,000</u>	<u>100,000</u>	<u>11,000,000</u>				
Total	<u>15,000,000</u>	<u>100,000</u>	<u>14,900,000</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 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.
3. The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the 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 AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2004, so far as is known to, or can be ascertained after reasonable enquiry by the directors and the chief executives of the Company, the persons or corporations (other than the directors or chief executive of the Company) who had interests of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, were as follows:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
B.K.S. Company Limited ("BKS")	133,034,30 ( <i>Note</i> )	32.84
Credit Cash Limited ("CCL")	133,034,300 ( <i>Note</i> )	32.84
Trident Corporate Services (B.V.I.) Limited ("Trident")	133,034,300 ( <i>Note</i> )	32.84
Madam Yeung Kit Ling	133,034,300 ( <i>Note</i> )	32.84
Madam Leung Hoi Man	133,034,300 ( <i>Note</i> )	32.84
Hamon Asset Management Limited	23,946,000	5.91

*Note:* 133,034,300 shares in the Company were beneficially held by BKS which is a wholly-owned subsidiary of CCL. CCL is a company wholly owned by Trident which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On, Madam Yeung Kit Ling and other family members of Mr. So Yuk Kwan. Madam Leung Hoi Man is the spouse of Mr. So Chi On. Therefore, BKS, CCL, Trident, Madam Yeung Kit Ling and Madam Leung Hoi Man were interested in the same block of shares.

Save as disclosed above, as at 30 September 2004, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **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, comprising independent non-executive directors, Dr. Hon. Lui Ming Wah, JP, Mr. Charles Edward Chapman and Mr. Wong Ka Kit, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim report for the six months ended 30 September 2004.

## **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 covered by the interim report, 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.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the interim report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code under Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2004.

By Order of the Board  
AV Concept Holdings Limited

**So Yuk Kwan**  
*Chairman*

Hong Kong, 30 November 2004