

SHARE OPTIONS

Share Options of the Company

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 or name 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	Transferred to other category during the period	At the end of the period			
Directors of the Company							
Cao Zhong	8,026,000	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	32,106,000 ³	-	-	32,106,000 ³	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	40,132,000	-	-	40,132,000			
Luo Zhenyu ¹	6,043,000	-	(6,043,000)	-	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	12,040,000 ³	-	(12,040,000) ³	-	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	18,083,000	-	(18,083,000)	-			
Tzu San Te	9,632,000 ³	-	-	9,632,000 ³	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
Yuan Wenxin ²	11,982,000	-	-	11,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
Tse Chun Sing	1,000,000	-	-	1,000,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	10,434,000 ³	-	-	10,434,000 ³	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	11,434,000	-	-	11,434,000			



SHARE OPTIONS (continued)

Share Options of the Company (continued)

Category or name 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	Transferred to other category during the period	At the end of the period			
Directors of the Company (continued)							
Leung Shun Sang, Tony	4,816,000	-	-	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	-	-	3,200,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	8,016,000	-	-	8,016,000			
Chan Wah Tip, Michael	400,000	-	-	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	99,679,000	-	(18,083,000)	81,596,000			
Other individuals with options granted in excess of limit							
Luo Zhenyu ¹	-	6,043,000	-	6,043,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	-	12,040,000 ³	-	12,040,000 ³	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	-	18,083,000	-	18,083,000			
Yu Jian ³	8,026,000	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	16,052,000 ³	-	-	16,052,000 ³	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	24,078,000	-	-	24,078,000			
	24,078,000	18,083,000	-	42,161,000			

SHARE OPTIONS (continued)**Share Options of the Company (continued)**

Category or name 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	Transferred to other category during the period	At the end of the period			
Other employees of the Group	2,922,000	-	-	2,922,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	2,000	-	-	2,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	2,924,000	-	-	2,924,000			
Other participants	32,104,000	-	-	32,104,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	8,026,000	-	-	8,026,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	4,000,000	-	-	4,000,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	44,130,000	-	-	44,130,000			
	170,811,000	18,083,000	(18,083,000)	170,811,000			

Notes:

1. Mr. Luo Zhenyu resigned as a director of the Company on 12 January 2005. The share options granted to Mr. Luo remain exercisable up to the original expiry date and were re-classified from the category of "Directors of the Company" to the category of "Other individuals with options granted in excess of limit" during the period.
2. Mr. Yuan Wenxin resigned as a director of the Company on 5 August 2005.
3. The number of share options granted to Mr. Cao Zhong, Mr. Luo Zhenyu, Mr. Tzu San Te, Mr. Tse Chun Sing and Mr. Yu Jian on 13 October 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 13 October 2003.

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

The share options granted on 13 October 2003 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 25% each year reaching 100% from 13 October 2006. All other share options granted were vested in full at the date of grant.



SHARE OPTIONS (continued)

Share options of a subsidiary of the Company - Remarkable Mask Technology Company Limited

Remarkable Mask Technology Company Limited ("Remarkable"), an indirect wholly-owned subsidiary of the Company, has approved a share option scheme (the "Remarkable Scheme") by a shareholder's resolution passed on 10 May 2004. The Remarkable Scheme was subject to the approval of the shareholders of the Company and has become effective on 8 June 2004 as a result of the passing of an ordinary resolution approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day. No share option to subscribe for shares of Remarkable was granted by virtue of the Remarkable Scheme during the period.

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 deviation:-

- 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.

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
Chairman

Hong Kong, 14 September 2005