

## CLOSURE OF REGISTER OF MEMBERS

The book close dates of the Group's interim dividend payment of HK\$0.03 per share for the six months ended 30 June 2005 was set in the period from Monday, 10 October 2005 to Wednesday, 12 October 2005. The dividend is expected to be paid on Thursday, 20 October 2005 to the shareholders whose names appear on the Company's Register of Members on Wednesday, 12 October 2005.

The Register of Members of the Company will be closed from Monday, 10 October 2005 to Wednesday, 12 October 2005 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 June 2005, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Branch Share Registrars in Hong Kong, at shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 7 October 2005.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions of directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by

Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

### Ordinary shares of HK\$0.10 each of the Company

Name of director	Nature of interest	Number of shares		Approximate percentage to the issued share capital of the Company	
		Long positions	Short positions	Long positions	Short positions
Mr. Dong Shutong	Corporate	321,188,000 (note 1)	Nil	64.24%	Nil

Note:

- The shares are held directly by Easyman Assets Management Limited (“Easyman”) which is wholly-owned by Mr. Dong Shutong (“Mr. Dong”). By virtue of the SFO, Mr. Dong is deemed to have corporate interests in the above shares.

As of the date of this report, Easyman holds 321,288,000 shares in the Company and Mr. Dong has an option to subscribe for 5,000,000 shares in the Company, representing approximately 65.23% in aggregate of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2005, none of the directors and the chief executive of the Company and their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2005, shareholders (other than directors or the chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Number of shares		Approximate percentage to the issued share capital of the Company	
	Long positions	Short positions	Long positions	Short positions
Easyman Assets Management Limited (Note 1)	321,188,000	Nil	64.24%	Nil
OZ Management, L.L.C.	35,156,000	Nil	7.03%	Nil

Note:

- As of the date of this report, Easyman holds 321,288,000 shares in the Company, representing approximately 64.25% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2005, the Company has not been notified by any persons (other than directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Share option scheme

Pursuant to an ordinary resolution passed on 2 May 2005, the Company adopted a share option scheme for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are valuable to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 2 May 2015. Detailed terms of the scheme were disclosed in the Company's international offering prospectus.

As at 30 June 2005, no options had been granted under the Company's share option scheme.

At the Company's directors' meeting held on 30 July 2005, the Board of the Company were authorized to grant share options under the Company's share option scheme to certain executive directors and senior managers. The details of the share options are as follows:

	<b>No. of share options</b>
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<i>Name of director</i>	
Mr. Dong Shutong	5,000,000
Mr. He Weiguan	4,250,000
Ms. Lee Han Yau, Florence	3,000,000
Mr. Song Wenzhou	1,275,000
Mr. You Jinzhou (Note 1)	1,275,000
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Sub-total for number of share options to directors	14,800,000
8 senior managers (Note 2)	10,200,000
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<b>Total</b>	<b>25,000,000</b>
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Notes:

1. Mr. You Jinzhou resigned as director with effect from 2 August 2005 and did not accept the option.
2. Each has the option to subscribe for 1,275,000 shares in the Company.

Exercise Price per Share: HK\$1.07

Option Period and Restriction on Exercise: The exercise period of the option will be from the date of acceptance of the option (i.e. 16 August 2005) up to 30 July 2015, both dates inclusive, which is in compliance with the terms of the share option scheme, subject to the following conditions.

The option will have a vesting schedule of 5 years whereby only 20% of the option shall be exercisable 12 months after 30 July 2005 and an additional 20% may be exercised by the grantee in each subsequent year until 30 July 2010 when 100% of the option may be exercised.

The timetable for exercising the option is set out as follows:

<b>Date</b>	<b>Maximum Percentage of Options exercisable from the date thereof</b>
30 July 2006	20%
30 July 2007	40%
30 July 2008	60%
30 July 2009	80%
30 July 2010	100%

As of the date of this report, no share option has been exercised by the above directors and senior managers to subscribe for shares in the Company.

Except as disclosed above, as of the date of this report, no other share option has been granted by the Company pursuant to the Company's share option scheme.

Save as disclosed above, at no time during the Relevant Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors of the Company have any interest in any business which may compete with the business of the Group during the Relevant Period.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the Relevant Period.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company listed securities during the Relevant Period.

#### **AUDIT COMMITTEE**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2005.

## CORPORATE GOVERNANCE

### (a) Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the “Code Provisions”) set out in the Code of Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2005.

Under Code Provisions A.2.1, the roles of the Chairman and Chief Executive Officer should be separated. As at 30 June 2005, Mr. Dong Shutong is the Chairman and Chief Executive Officer of the Company. The responsibilities of Chief Executive Officer have been carried out by Mr. Dong Shutong. The Board believes that it is in the best interest of the Company and the shareholders as a whole for Mr. Dong Shutong, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board in an effective manner, to continue to carry out the responsibilities of Chief Executive Officer, which ensures on the effectiveness and efficiency of the decision making process of the Board.

Under the Code Provisions A.4.1 and A.4.2, non-executive directors should be appointed for a specific term and every director should be subject to retirement by rotation at least once every three years. The existing non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation in accordance with the Company’s current Articles of Association (the “Articles of Association”). Moreover, according to the Articles of Association, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting and the directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. The appointment of non-executive directors and the Articles of Association do not comply fully with the Code Provisions.



The directors will review the appointment of non-executive directors and the relevant articles of the Articles of Association this year and propose ratifications and amendments, if necessary, to ensure compliance with the Code.

Under Code Provisions B.1.1 and B.1.3, the Company should have a remuneration committee. However, the Company is only in process of defining the composition and terms of reference of the remuneration committee and will comply with the Code in this year.

Under Code Provisions B.1.4 and C.3.4, the Company should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on its website. Since the Company has yet established its own website, the above requirement regard to provide such information on website cannot be met accordingly. However, the terms of reference of the audit committee are available from the Company Secretary on request, while the terms of reference of the remuneration committee will be available upon its formation this year. Furthermore, the Company has engaged a company to construct its website and will endeavour to fully comply with the Code in this regard this year.

**(b) Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2005.

On behalf of the Board  
**Mr. Dong Shutong**  
*Chairman*

Hong Kong, 21 September 2005