
Share Option Schemes

Share options have been granted to directors and senior management of the Group under the Share Option Scheme approved by shareholders of the Company at an Extraordinary General Meeting on 25 February 2004.

The purpose of the Share Option Scheme is to provide the participants who may be executive directors, non-executive directors, independent non-executive directors, employees of any member of the Group, any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners or service providers of any member of the Group who as the Board of Directors, in its sole discretion may consider will contribute to the Group, with opportunity to acquire proprietary interests in the Company so as to encourage such participants to work towards enhancing the value of the Company and its Shares for the benefits of the Group with a flexible mean of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such participants. The terms of the Share Option Scheme are in accordance with the provisions of the Chapter 17 of the Listing Rules.

The Share Option Scheme is valid and effective for a period of 10 years commencing from 19 March 2004, being the date of adoption of the Scheme by the Board of Directors of the Company.

The options were granted at a nominal consideration of HK\$1.00. Each option gives the holder the right to subscribe for one share of the Company at a pre-determined price per share.

The exercise price of the options granted under the Share Option Scheme shall be equal to or higher than the market price of the shares on the date of the grant. Each option gives the holder the right to subscribe for one share of the Company. Options to subscribe for 5,500,000 new shares of the Company were granted by the Company to directors and senior management of the Group under the Share Option Scheme on 28 June 2006. The options are exercisable at the exercise price of HK\$1.98 per share, starting 1 July 2007 and will lapse on 1 July 2009.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares in issue from time to time.

Share Option Schemes (continued)

As at 3 August 2006, options to subscribe for a total of 11,600,000 option shares were still outstanding under the Share Option Scheme which represents approximately 0.46% of the issued ordinary shares of the Company.

Details of the share options outstanding as at 30 June 2006 which have been granted under the Share Option Scheme are as follows:

Name of Participants	Number of options			Held on 30 June 2006	Exercise price HK\$	Grant date	Exercise period		
	Held on 1 January 2006	Granted during the period	Exercised during the period				Begins	Ends	
Executive and Non-executive Directors									
	Lam Pak Lee	800,000	–	–	800,000	2.695	14 June 2005	1 July 2006	30 June 2008
		–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009
	800,000	500,000		1,300,000					
Chang Ching Yi, Steven	800,000	–	–	800,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	800,000	500,000		1,300,000					
Wong Yuet Leung, Frankie	500,000	–	–	500,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	500,000	500,000		1,000,000					
Leung Kwong Wai	800,000	–	–	800,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	800,000	500,000		1,300,000					
Huang Hsing Hua	300,000	–	–	300,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	300,000	500,000		800,000					
Lai Woon Ching	300,000	–	–	300,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	300,000	500,000		800,000					
Lo Wai Ming	300,000	–	–	300,000	2.695	14 June 2005	1 July 2006	30 June 2008	
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009	
	300,000	500,000		800,000					
Subtotal	3,800,000	3,500,000		7,300,000					

Name of Participants	Number of options			Exercise period				
	Held on 1 January 2006	Granted during the period	Exercised during the period	Held on 30 June 2006	Exercise price HK\$	Grant date	Begins	Ends
Independent Non-executive Directors								
Choy Kwok	500,000	–	–	500,000	2.695	14 June 2005	1 July 2006	30 June 2008
Hung, Patrick	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009
	500,000	500,000		1,000,000				
Kao Kuen, Charles	500,000	–	–	500,000	2.695	14 June 2005	1 July 2006	30 June 2008
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009
	500,000	500,000		1,000,000				
Sun, Patrick	800,000	–	–	800,000	2.695	14 June 2005	1 July 2006	30 June 2008
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009
	800,000	500,000		1,300,000				
Subtotal	1,800,000	1,500,000		3,300,000				
Senior Management								
Senior management	500,000	–	–	500,000	2.695	14 June 2005	1 July 2006	30 June 2008
	–	500,000	–	500,000	1.980	28 June 2006	1 July 2007	30 June 2009
	500,000	500,000		1,000,000				
Subtotal	500,000	500,000		1,000,000				
Total	6,100,000	5,500,000		11,600,000				

No option under the Share Option Scheme lapsed, or was cancelled or exercised during the period.

Valuation of options

According to the Black-Scholes Model, the fair value of the option granted during the period is as follows:

Date of Grant	28 June 2006	14 June 2005
Closing price at date of grant	HK\$1.75	HK\$2.675
Option value	US\$215,000	US\$503,000

The value of options granted during the period determined using the Black-Scholes valuation model was US\$215,000 (2005: US\$503,000). The significant inputs into the model were share price of HK\$1.75 (2005: HK\$2.675) at the grant date, exercise price shown above, expected life of options of 2 years, expected dividend paid out rate of 10.86% (2005: 8.34%) and annual risk-free interest rate of 4.63% (2005: 3.08%). The volatility of 53.8% measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices from 29 June 2005 to 28 June 2006, the option grant date.