

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

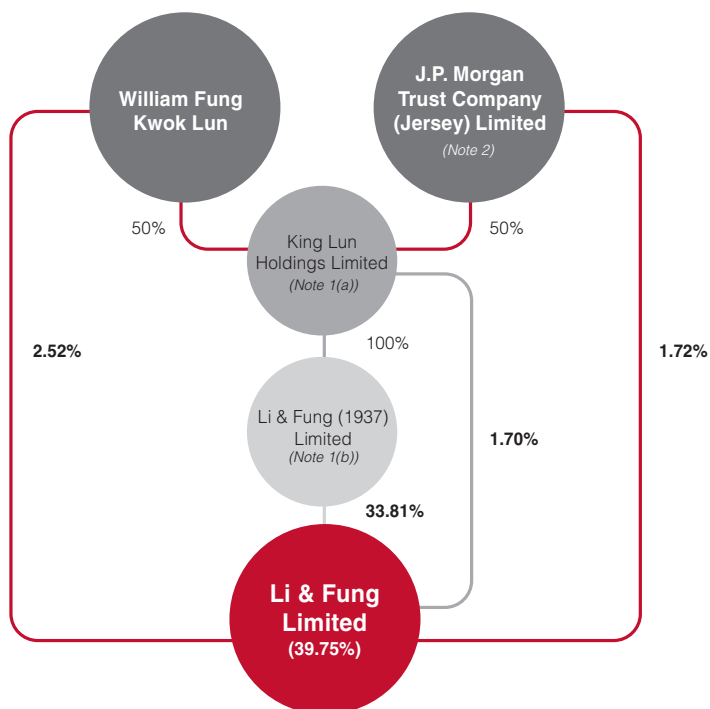
As at 30 June 2006, the directors and chief executives of the Company and their associates had the following interests in the shares of HK\$0.025 each ("Shares") and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under 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 Companies ("the Model Code"):

### (A) Long Position in Shares and underlying shares of the Company

	Number of Shares				Equity derivatives (share options)	Total	Percentage of issued share capital
	Personal interest	Corporate interest	Family interest	Trust/similar interest			
Victor Fung Kwok King	-	1,150,545,880 <sup>1</sup>	-	55,825,000 <sup>2</sup>	-	1,206,370,880	37.23%
William Fung Kwok Lun	79,048,530	1,150,545,880 <sup>1</sup>	4,400	-	2,640,000 <sup>3</sup>	1,232,238,810	38.03%
Bruce Philip Rockowitz	712,800	-	-	22,411,510 <sup>4</sup>	57,145,880 <sup>5</sup>	80,270,190	2.47%
Henry Chan	5,016,000	-	-	-	1,760,000 <sup>3</sup>	6,776,000	0.20%
Danny Lau Sai Wing	8,668,000	-	-	-	1,760,000 <sup>3</sup>	10,428,000	0.32%
Annabella Leung Wai Ping	4,928,000	-	-	-	1,760,000 <sup>3</sup>	6,688,000	0.20%
Lau Butt Farn	2,420,000	-	-	-	-	2,420,000	0.07%
Franklin Warren McFarlan	-	-	-	57,200 <sup>6</sup>	-	57,200	0.00%

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

The interests of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun in Shares of the Company are summarized in the following chart:



*Notes:*

(1) As at 30 June 2006,

- (a) King Lun Holdings Limited ("King Lun"), a private company incorporated in the British Virgin Islands, held 54,945,880 Shares.
- (b) King Lun through its wholly-owned Hong Kong incorporated subsidiary, Li & Fung (1937) Limited, held 1,095,600,000 Shares.

Dr Victor Fung Kwok King and Dr William Fung Kwok Lun are deemed to have interests in the 1,150,545,880 Shares, i.e. the total number of Shares mentioned in notes (1)(a) and (b) above, through their personal or other interests in King Lun as set out below:

- (i) 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family of Dr Victor Fung Kwok King.
- (ii) 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by Dr William Fung Kwok Lun.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

- (2) 55,825,000 Shares in the Company are held by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family of Dr Victor Fung Kwok King.
- (3) These interests represent the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the Share Options section stated below.
- (4) 22,411,510 Shares in the Company are held by Hurricane Millennium Holdings Limited ("HMHL"), a company beneficially owned by a trust which has been set up for the benefit of family members of Mr Bruce Philip Rockowitz.
- (5) These interests represent:
  - (a) the beneficial interest of Mr Bruce Philip Rockowitz in 2,200,000 underlying shares in respect of share options granted by the Company to Mr Bruce Philip Rockowitz; and
  - (b) the deemed interest of Mr Bruce Philip Rockowitz in 54,945,880 underlying shares in the Company in respect of options granted by King Lun to HMHL to purchase such shares in the Company in ten tranches during the period from 25 December 2004 to 24 December 2019 with each tranche having an exercisable period of six years pursuant to an agreement made between King Lun and HMHL.
- (6) 57,200 Shares in the Company are held by a trust established for the benefit of Professor Franklin Warren McFarlan.

### **(B) Short positions in Shares and underlying shares of the Company**

By virtue of the SFO, each of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun was taken as at 30 June 2006 to have short position through King Lun, in which both of them are deemed to have interests as disclosed above, in respect of an aggregate of 54,945,880 underlying shares in the Company, representing 1.70 percent of the total issued share capital of the Company. Such interest constitutes, for the purposes of the SFO, a short position of King Lun under unlisted physically settled equity derivative which arise under an agreement made between King Lun and HMHL pursuant to which options were granted by King Lun to HMHL to purchase such shares in the Company in ten tranches during the period from 25 December 2004 to 24 December 2019, with each tranche having an exercisable period of six years.

Save as disclosed above, as at 30 June 2006, none of the directors and chief executive of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Mode.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

### **(C) Share Options**

The interests of the directors and chief executives in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Options section stated below.

Save as disclosed above, at no time during the period, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

### Share Options

#### Share Option Scheme

At the 2003 Annual General Meeting of the Company held on 12 May 2003, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30 June 2006, there are options relating to 106,268,000 Shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.

Movement of the share options under the Option Scheme during the period is as follows:

	Number of Share Options							Exercise price HK\$	Grant date	Exercisable period	
	As at 1/1/2006	Granted	Exercised before Bonus Issue	Lapsed before Bonus Issue	Adjustment for Bonus Issue <sup>1</sup>	Exercised after Bonus Issue	Lapsed after Bonus Issue				As at 30/6/2006
William Fung	800,000	-	-	-	80,000	880,000	-	-	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
Kwok Lun	800,000	-	-	-	80,000	-	-	880,000	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	800,000	-	-	-	80,000	-	-	880,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	800,000	-	-	-	80,000	-	-	880,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
	800,000	-	-	-	80,000	-	-	880,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
Bruce Philip	400,000	-	-	-	40,000	-	-	440,000	8.36 <sup>1</sup>	23/5/2003	23/5/2005-22/5/2008
Rockowitz	400,000	-	-	-	40,000	-	-	440,000	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
Henry Chan	400,000	-	400,000 <sup>2</sup>	-	-	-	-	-	8.36 <sup>1</sup>	23/5/2003	23/5/2004-22/5/2007
	400,000	-	400,000 <sup>2</sup>	-	-	-	-	-	8.36 <sup>1</sup>	23/5/2003	23/5/2005-22/5/2008
	400,000	-	-	-	40,000	-	-	440,000	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
Danny Lau Sai Wing	400,000	-	400,000 <sup>2</sup>	-	-	-	-	-	8.36 <sup>1</sup>	23/5/2003	23/5/2005-22/5/2008
	400,000	-	-	-	40,000	-	-	440,000	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
Annabella Leung Wai Ping	400,000	-	400,000 <sup>2</sup>	-	-	-	-	-	8.36 <sup>1</sup>	23/5/2003	23/5/2005-22/5/2008
	400,000	-	-	-	40,000	-	-	440,000	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	400,000	-	-	-	40,000	-	-	440,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

	Number of Share Options							Exercise price HK\$	Grant date	Exercisable period	
	As at 1/1/2006	Granted	Exercised before Bonus Issue	Lapsed before Bonus Issue	Adjustment for Bonus Issue <sup>1</sup>	Exercised after Bonus Issue	Lapsed after Bonus Issue				As at 30/6/2006
Continuous	2,808,000	-	1,018,000 <sup>2</sup>	-	179,000	147,000	-	1,822,000	8.36 <sup>1</sup>	23/5/2003	23/5/2004-22/5/2007
contract	6,772,000	-	2,369,000 <sup>2</sup>	-	440,300	744,500	-	4,098,800	8.36 <sup>1</sup>	23/5/2003	23/5/2005-22/5/2008
Employees	12,631,000	-	-	-	1,263,100	2,421,000	-	11,473,100	8.36 <sup>1</sup>	23/5/2003	23/5/2006-22/5/2009
	300,000	-	106,000 <sup>2</sup>	-	19,400	23,200	-	190,200	9.00 <sup>1</sup>	20/8/2004	20/8/2005-19/8/2008
	2,230,000	-	-	-	223,000	-	-	2,453,000	9.00 <sup>1</sup>	20/8/2004	20/8/2006-19/8/2009
	21,053,000	-	-	230,000	2,082,300	-	110,000	22,795,300	13.45 <sup>1</sup>	20/6/2005	20/6/2007-19/6/2010
	21,040,000	-	-	610,000	2,043,000	-	176,000	22,297,000	13.45 <sup>1</sup>	20/6/2005	20/6/2008-19/6/2011
	21,150,000	-	-	610,000	2,054,000	-	176,000	22,418,000	13.45 <sup>1</sup>	20/6/2005	20/6/2009-19/6/2012
	-	730,000 <sup>3</sup>	-	24,000	70,600	-	22,000	754,600	13.72 <sup>1</sup>	23/1/2006	20/6/2007-19/6/2010
	-	1,470,000 <sup>3</sup>	-	50,000	142,000	-	55,000	1,507,000	13.72 <sup>1</sup>	23/1/2006	20/6/2008-19/6/2011
	-	1,470,000 <sup>3</sup>	-	50,000	142,000	-	55,000	1,507,000	13.72 <sup>1</sup>	23/1/2006	20/6/2009-19/6/2012
	-	212,000 <sup>4</sup>	-	-	-	-	-	212,000	15.65	19/6/2006	20/6/2007-19/6/2010
	-	2,270,000 <sup>4</sup>	-	-	-	-	-	2,270,000	15.65	19/6/2006	20/6/2008-19/6/2011
	-	2,350,000 <sup>4</sup>	-	-	-	-	-	2,350,000	15.65	19/6/2006	20/6/2009-19/6/2012

*Notes:*

- (1) At the annual general meeting of the Company held on 18 May 2006, a bonus issue of one new Share for every ten Shares ("Bonus Issue") held as of that date was approved by the shareholders. All the share options which were granted and remained outstanding as of 18 May 2006 were adjusted with the Bonus Issue and accordingly, the number of share options increased by one Share for every ten Shares in the share options, and the exercise price per Share was adjusted from (i) HK\$9.20 to HK\$8.36, (ii) HK\$9.90 to HK\$9.00, (iii) HK\$14.80 to HK\$13.45 and (iv) HK\$15.09 to HK\$13.72 respectively.
- (2) The weighted average closing market price per Share immediately before the dates on which the share options were exercised was HK\$15.78.
- (3) The closing market price per Share as at the date preceding the date on which the share options were granted was HK\$13.773, as adjusted for the effect of the Bonus Issue.
- (4) The closing market price per Share as at the date preceding the date on which the share options were granted was HK\$15.65.
- (5) The above options granted are recognized as expenses in the accounts in accordance with the Company's accounting policy as set out in note 1 to the accounts. Other details of share options granted by the Company are set out in note 11 to the accounts.