

# Corporate Governance and Other Information

## DISCLOSURE OF INTERESTS IN SECURITIES

### Directors' and chief executive's interests and short positions in the share capital of the Company and the associated corporations

As at 30 June 2006, the Company had not received any notice of interests to be recorded under section 352 of the Securities and Futures Ordinance ("SFO") as the shares of the Company had not been listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

At 31 August 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) *Long positions in the shares of the Company*

<u>Name of director</u>	<u>Capacity</u>	<u>Nature of interests</u>	<u>Number of ordinary shares held</u>	<u>Approximate percentage of issued share capital</u>
Mr. Hui Wing Mau	—	(Note)	2,000,000,000	65.26%

*Note:* These 2,000,000,000 shares represents the interests in the Company held by Gemfair Investments Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau.

(2) *Long positions in the underlying shares of the Company*

Share options were granted to Mr. Hui Sai Tan, Jason, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Yi pursuant to the pre-IPO share option scheme. Details in relation to the share options were stated in the section under the heading "Information on Share Options".

(3) *Long positions in the shares of associated corporation — Shimao International Holdings Limited*

<u>Name of director</u>	<u>Capacity</u>	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Other interests</u>	<u>Total number of ordinary shares held</u>
Mr. Hui Wing Mau	—	—	185,185,185 (Note 1)	618,571,397 (Note 2)	803,756,582
Mr. Hui Sai Tan, Jason	—	—	—	618,571,397 (Note 2)	618,571,397
Mr. Ip Wai Shing	beneficial owner	528,000	—	—	528,000
Mr. Tang Ping Fai	beneficial owner	30,000	—	—	30,000

## Corporate Governance and Other Information

### Notes:

- (1) These 185,185,185 shares are shares of Shimao International Holdings Limited ("Shimao International") issuable to Dynamic Keen Developments Limited ("Dynamic Keen") upon conversion of all the convertible note issued to Dynamic Keen. Since the entire issued share capital of Dynamic Keen is owned by Mr. Hui Wing Mau, Mr. Hui Wing Mau is taken to be interested in these 185,185,185 shares of Shimao International under the SFO.
- (2) These 618,571,397 shares in Shimao International represents the interests in Shimao International which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of The W.M. Hui Unit Trust, all the units of which are held by Trident Trust Company (B.V.I.) Limited (formerly known as Trident Corporate Services (B.V.I.) Limited) as trustee of The W.M. Hui Family Trust established by Mr. Hui Wing Mau for the benefit of his wife and children. Mr. Hui Sai Tan, Jason is the son of Mr. Hui Wing Mau and accordingly, Mr. Hui Wing Mau and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of the SFO.

Save as disclosed above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were recorded in the register.

### INFORMATION ON SHARE OPTIONS

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 9 June 2006.

#### (1) Pre-IPO Share Option Scheme

- (a) Movement of share options ("Pre-IPO Options") granted under the Pre-IPO Share Option Scheme during the period from 1 January 2006 to 30 June 2006 were as follows:

Name	Date of grant	Exercise price per share	As at 1 January 2006	Number of share options			As at 30 June 2006
				Granted	Exercised	Lapsed	
Directors							
Mr. Hui Sai Tan, Jason	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
Mr. Ip Wai Shing	9 June 2006	HK\$5.625	—	2,560,000	—	—	2,560,000
Mr. Tang Ping Fai	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
Ms. Yao Li	9 June 2006	HK\$5.625	—	2,640,000	—	—	2,640,000
			—	10,480,000	—	—	10,480,000
Senior Management of the Company (in aggregate)							
	9 June 2006	HK\$5.625	—	6,450,000	—	—	6,450,000
Other employees and officers of the Group (in aggregate)							
	9 June 2006	HK\$5.625	—	46,990,000	—	—	46,990,000
			—	63,920,000	—	—	63,920,000

## Corporate Governance and Other Information

- (b) Each option has a 6-years exercise period with 30% vesting on 31 March 2007, another 30% vesting on 31 March 2008 and the remaining 40% vesting on 31 March 2009.
- (c) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (d) Performance targets had been imposed as conditions for the grant under the Pre-IPO Share Option Scheme.
- (e) Save as disclosed above, no options were granted, cancelled or lapsed under the Pre-IPO Share Option Scheme as at 31 August 2006.
- (f) The fair value of the Pre-IPO Options granted is measured based on a binomial lattice model, details of which will be set out in the 2006 annual accounts as the amount has yet to be finalised but it has minimal impact to the six months ended 30 June 2006.

Other details of the Pre-IPO Share Option Scheme are set out in note 12 to the accounts.

### **(2) Share Option Scheme**

No options were granted, cancelled or lapsed under the Share Option Scheme as at 31 August 2006.

# Corporate Governance and Other Information

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the shares of the Company had not been listed on the Stock Exchange as at that date.

At 31 August 2006, the interests and short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long/short positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
<i>Long positions</i>			
Gemfair Investments Limited ("Gemfair")	(Note 1)	2,000,000,000	65.26%
Overseas Investment Group International Limited ("Overseas Investment")	(Note 2)	2,000,000,000	65.26%
GSS III Nimble Holdings Limited ("GSS III Nimble")	(Note 3)	238,049,466	7.77%
Global Special Situations Funding III, L.P.	(Note 3)	238,049,466	7.77%
GSS III Funding, Inc.	(Note 3)	238,049,466	7.77%
Morgan Stanley	(Note 3)	245,254,466	8.00%
<i>Short positions</i>			
Morgan Stanley	(Note 3)	9,000	0.00%

#### Notes:

- (1) Gemfair is directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) holds not less than a 30% interests in the Company. Overseas Investments is the trustee of W.M. Hui Unit Trust, all the units of which are held by W.M. Hui Family Trust of which Mr. Hui Wing Mau and his immediate family are discretionary objects.
- (3) GSS III Nimble is owned by Global Special Situations Funding III, L.P., which is controlled and managed by its general partner, GSS III Funding, Inc.. GSS III Funding, Inc. is in turn wholly owned by Morgan Stanley. Pursuant to the SFO, each of Global Special Situations Funding III, L.P., GSS III Funding, Inc. and Morgan Stanley is deemed to be interested in the 238,049,466 shares in which GSS III Nimble is interested.

Save as disclosed above, no other interests or short positions in the shares and underlying shares of the Company were recorded in the register.

# Corporate Governance and Other Information

## **CORPORATE GOVERNANCE**

The Company is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All directors confirmed they have complied with the required standard set out in the Model Code during the period from 9 June 2006 (date of adoption of the Model Code) to 30 June 2006.

### **Audit Committee**

The Company has established an Audit Committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of four members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing, Mr. Gu Yunchang and Mr. Lam Ching Kam. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the directors.

The unaudited consolidated interim results of the Group for the six months ended 30 June 2006 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditors of the Company.

### **Remuneration Committee**

The Company has established a Remuneration Committee on 9 June 2006 with written terms of reference. The Remuneration Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's four Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Hui Wing Mau.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of the directors and senior management and evaluate, make recommendations on the Company's share option schemes, retirement scheme and the performance assessment system and bonus and commission policies.

### **Nomination Committee**

The Company has established a Nomination Committee on 9 June 2006 with written terms of reference. The Nomination Committee consists of five members, comprising Mr. Hui Wing Mau and the Company's four Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

## Corporate Governance and Other Information

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules since 5 July 2006 (date of listing of the shares of the Company) except for the deviation from provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Hui Wing Mau is the Chairman of the Company and founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises five Executive Directors and four Independent Non-executive Directors and therefore has a strong independence element in its composition.

### PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

The shares of the Company were listed on the Stock Exchange on 5 July 2006 and accordingly neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

### APPRECIATION

On behalf of the Board, I would like to express my appreciation to all the management and the staff for their ongoing contribution and hard work. In addition, I would like to thank our shareholders and business partners for their continuing support.

On behalf of the Board  
**Hui Wing Mau**  
*Chairman*

Hong Kong, 31 August 2006