

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

Movement of share options during the six months ended 30th June 2006 is as follows:

| | Options held at 1st January 2006 | Options granted during period (Note 1) | Options exercised during period (Note 2) | Options lapsed during period | Options held at 30th June 2006 | Exercise price HK\$ | Date of grant | Exercise period | Vesting period |
|-----------------------|----------------------------------|--|--|------------------------------|--------------------------------|---------------------|---------------|-------------------------|-------------------------|
| Directors:- | | | | | | | | | |
| Mr. Lao Yuan Yi | 5,503,900 | - | - | - | 5,503,900 | 0.318 | 11/07/1996 | 11/01/1997 - 15/07/2006 | 11/07/1996 - 10/01/1997 |
| | 10,000,000 | - | - | - | 10,000,000 | 0.816 | 01/11/1997 | 01/05/1998 - 12/11/2007 | 01/11/1997 - 30/04/1998 |
| | 22,842,000 | - | - | - | 22,842,000 | 0.564 | 30/11/2005 | 30/05/2006 - 11/12/2015 | 30/11/2005 - 29/05/2006 |
| Mr. Xin Shulin, Steve | 838,640 | - | (838,640) | - | - | 0.318 | 11/07/1996 | 11/01/1997 - 15/07/2006 | 11/07/1996 - 10/01/1997 |
| | 2,500,000 | - | - | - | 2,500,000 | 0.816 | 01/11/1997 | 01/05/1998 - 12/11/2007 | 01/11/1997 - 30/04/1998 |
| | 4,464,000 | - | - | - | 4,464,000 | 0.283 | 08/07/1998 | 08/01/1999 - 15/07/2008 | 08/07/1998 - 07/01/1999 |
| | 11,810,000 | - | - | - | 11,810,000 | 0.564 | 30/11/2005 | 30/05/2006 - 11/12/2015 | 30/11/2005 - 29/05/2006 |
| Mr. Yeung Wai Kin | 1,494,304 | - | - | - | 1,494,304 | 0.318 | 11/07/1996 | 11/01/1997 - 15/07/2006 | 11/07/1996 - 10/01/1997 |
| | 2,500,000 | - | - | - | 2,500,000 | 0.816 | 01/11/1997 | 01/05/1998 - 12/11/2007 | 01/11/1997 - 30/04/1998 |
| | 6,980,000 | - | - | - | 6,980,000 | 0.283 | 08/07/1998 | 08/01/1999 - 15/07/2008 | 08/07/1998 - 07/01/1999 |
| | 11,810,000 | - | - | - | 11,810,000 | 0.564 | 30/11/2005 | 30/05/2006 - 11/12/2015 | 30/11/2005 - 29/05/2006 |
| Mr. Hu Yi Ming | 1,000,000 | - | - | - | 1,000,000 | 0.816 | 01/11/1997 | 01/05/1998 - 12/11/2007 | 01/11/1997 - 30/04/1998 |
| | 1,300,000 | - | - | - | 1,300,000 | 0.283 | 08/07/1998 | 08/01/1999 - 15/07/2008 | 08/07/1998 - 07/01/1999 |
| Employees | | | | | | | | | |
| | 4,002,600 | - | (2,200,000) | - | 1,802,600 | 0.318 | 11/07/1996 | 11/01/1997 - 15/07/2006 | 11/07/1996 - 10/01/1997 |
| | 950,000 | - | - | - | 950,000 | 0.816 | 01/11/1997 | 01/05/1998 - 12/11/2007 | 01/11/1997 - 30/04/1998 |
| | 1,804,000 | - | - | (800,000) | 1,004,000 | 0.283 | 08/07/1998 | 08/01/1999 - 15/07/2008 | 08/07/1998 - 07/01/1999 |
| | 11,810,000 | - | - | - | 11,810,000 | 0.564 | 30/11/2005 | 30/05/2006 - 11/12/2015 | 30/11/2005 - 29/05/2006 |
| | - | 17,850,000 | - | - | 17,850,000 | 0.680 | 03/03/2006 | 03/03/2008 - 02/03/2016 | 03/03/2006 - 02/03/2008 |
| | 101,609,444 | 17,850,000 | (3,038,640) | (800,000) | 115,620,804 | | | | |

Notes:

- (1) During the period, 17,850,000 share options were granted under the Scheme with an exercise price of HK\$0.680 per share. The related weighted average closing price immediately before the date on which the share options were granted was HK\$0.670 per share. The fair value of share options granted is estimated using the Black-Scholes valuation model based on the following assumptions:

| As at 30th June 2006 | |
|---|----------------|
| Date of grant | 3rd March 2006 |
| Fair value per share option | HK\$0.280 |
| Share closing price | HK\$0.670 |
| Exercise price | HK\$0.680 |
| Expected volatility* | 42.39% |
| Annual risk-free interest rate** | 4.30% |
| Life of options | 8 years |
| Dividend yield*** | 2.52% |
| Fair value of total share options granted during the period – Employees | HK\$5,002,000 |

* Expressed as annualised volatility for 1 year immediately preceding the grant date

** Based on yield of 10-year Exchange Fund Notes

*** Expressed as annualised dividend of the most recent financial year and the closing price on grant date

The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a share option varies with difference variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a share option.

- (2) During the period, 3,038,640 shares options were exercised under the Scheme with an exercise price of HK\$0.318 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$0.741 per share.
- (3) No share options granted under the Scheme were cancelled during the six months ended 30th June 2006.
- (4) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2005.