

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the following persons, other than the Directors or Chief Executives of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long positions:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate Percentage of the Company's issued share capital
Eartrade	(a)	Beneficial owner and through a controlled corporation	487,949,760	26.76%
Bannock	(a)	Beneficial owner	237,303,360	13.01%
Parkfield		Beneficial owner	371,864,000	20.39%
Fung Shing		Beneficial owner	396,050,252	21.72%

Note:

(a) Bannock is a wholly-owned subsidiary of Eartrade. 487,949,760 shares in the Company held by Eartrade include 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 30 June 2006, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

INFORMATION ON SHARE OPTIONS SCHEMES

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company and its subsidiaries.

Except for SCB, one of the subsidiaries of the Company, no share option was granted or outstanding under the share option schemes of the Company and its subsidiaries during the six months ended 30 June 2006 and hence the disclosure of value of options granted during the period is not applicable.

As for the share options scheme of SCB (“SCB Scheme”) which was adopted on 31 May 2002 and became effective on 28 June 2002, particulars and movements of the share options granted to and held by the directors of the Company and the employees of SCB group and other participants under the SCB Scheme during the six months ended 30 June 2006 were as follows:–

Name or category of participant	Number of share options					Outstanding as at 30/06/2006	Date of grant of share options (DD/MM/YY) (Note a)	Exercise period of share options (DD/MM/YY)	Subscription price per share option HK\$	Price immediately preceding the grant	Price immediately preceding the exercise
	Outstanding as at 01/01/2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					date of share options (Note b)	date of share options (Note c)
Directors											
Richard Howard Gorges	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Cheung Choi Ngor	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Ng Yuk Fung, Peter	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	-	10,000,000	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	-	6,666,667	-	-	-	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	-	6,666,667	-	-	-	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	-	6,666,666	-	-	-	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
Sub-total	-	110,000,000	-	-	-	110,000,000					
Others											
In aggregate	-	36,000,000	-	-	-	36,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	-	36,000,000	-	-	-	36,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	-	36,000,000	-	-	-	36,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	-	6,666,667	-	-	-	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	-	6,666,667	-	-	-	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	-	6,666,666	-	-	-	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
Sub-total	-	128,000,000	-	-	-	128,000,000					
Total	-	238,000,000	-	-	-	238,000,000					

Notes:

- (a) All share options granted are subject to a vesting schedule and becoming exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
	%
Within 12 months	Nil
13th – 36th	33 ¹ / ₃
25th – 48th	33 ¹ / ₃
37th – 60th	33 ¹ / ₃

The unexercised share options of each exercisable period shall lapse at the end of respective exercise period.

- (b) The price of the shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised.
- (d) The fair value of options granted under the SCB Scheme on 16 March 2006 and 26 April 2006, measured at the date of grant, were approximately HK\$5,346,000 and HK\$1,400,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	16 March 2006	26 April 2006
Expected volatility	56.10%	55.13%
Expected life (in years)	2	2
Risk-free interest rate	4.62%	4.99%
Expected dividend yield	Nil	Nil

In total, HK\$843,250 of employee compensation expense has been included in the consolidated income statement for the period ended 30 June 2006 (2005: Nil) with a corresponding credit in equity.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices of the Listing Rules during the six months ended 30 June 2006 with the exception that the Non-executive Directors are not appointed for a specific term, the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting of the Company instead of the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2006.