

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

At 30 June 2006, the interests and short positions of the directors in the shares capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to 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 (the "Model Code"), were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Number of shares and underlying shares held, capacity and nature of interest							
Name of director	Notes	Capacity	Nature of interest	Interest in shares	Interest in underlying shares (options)	Interest in underlying shares (warrants)	Approximate percentage of issued share capital
Chan Ho Sing	(a)	Founder of discretionary trust	Family	199,689,667	—	10,000,000	48.84%
Chan Ho Sing	(b)	Interest of spouse	Family	5,500,000	—	—	1.28%
Chan Ho Sing		Beneficial owner	Personal	17,981,667	5,500,000	—	5.47%
				223,171,334	5,500,000	10,000,000	55.59%
Ko Pak On		Beneficial owner	Personal	700,000	1,500,000	66,666	0.53%

Notes:

- (a) These shares and warrants are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing.
- (b) The interest through spouse represents shares held by Kee Chor Lin, the spouse of Chan Ho Sing.

### **Directors' Interests and Short Positions in Shares and Underlying Shares** (Continued)

In addition to the above, Mr. Chan Ho Sing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and as disclosed under the section "Directors' Rights to Acquire Shares or Debentures" below, as at 30 June 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

Saved as disclosed under the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above and "Share Option Schemes" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### **Share Option Schemes**

Pursuant to the ordinary resolution passed on the Annual General Meeting of the Company held on 26 May 2006, the share option scheme adopted by the Company on 13 February 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith.

# Supplementary Information

## Share Option Schemes (Continue)

As at 30 June 2006, 7,100,000 share options remained outstanding under the Old Scheme and details of the movements of the said outstanding share options were as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Price of Company's shares		
	At 1 January 2006	Exercised during the Period	At 30 June 2006			Exercise price of share options*	Immediately before the exercise date	At exercise date of options
						HK\$	HK\$	HK\$
<b>Directors</b>								
Chan Ho Sing	11,000,000	(5,500,000)	5,500,000	30.12.1997	30.12.1997 to 12.2.2007	0.7856	1.82	1.90
Ko Pak On	1,500,000	—	1,500,000	30.12.1997	30.12.1997 to 12.2.2007	0.7856	—	—
<b>Other employees</b>								
In aggregate	300,000	(200,000)	100,000	30.12.1997	30.12.1997 to 12.2.2007	0.7856	1.55	1.55
	<u>12,800,000</u>	<u>(5,700,000)</u>	<u>7,100,000</u>					

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 30 June 2006, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,100,000 additional ordinary shares of the Company and additional share capital of approximately HK\$710,000 and share premium of approximately HK\$4,868,000 (before issue expenses).

The New Scheme fully complies with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the terms of the New Scheme was contained in the Company's circular dated 28 April 2006. During the Period under review, no share option was granted, exercised, cancelled or lapsed under the New Scheme. There was no outstanding share option under the New Scheme at the beginning and at the end of the Period under review.

## Share Option Schemes (Continued)

After the Period under review, a total of 5,600,000 share options under the New Scheme with an exercise price of HK\$1.60 per share were granted to certain directors and employees of the Group on 8 August 2006 in recognition of their contributions to the Group. Of the share options granted, 3,300,000 share options are exercisable between 8 August 2006 and 25 May 2016 and the remaining 2,300,000 share options have a vesting period ranging from 8 August 2006 to 7 August 2007, and exercisable from 8 August 2007 to 25 May 2016. The price of the Company's share at the date of grant was HK\$1.60 per share.

At the date of approval of these financial statements, the Company had 12,700,000 share options outstanding, including 5,600,000 share options under the New Scheme. The total outstanding share options and the outstanding share options under the New Scheme represented approximately 2.96% and 1.30% respectively of the Company's shares in issue as at this date.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2006, the following interests and short positions of 5% or more of the issued share capital and share options and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Interest in underlying shares (warrants)	Approximate percentage of Company's issued share capital
Man Yue Holdings Inc.	<i>Note</i> Beneficial interest	199,689,667	10,000,000	48.84%

Note: Man Yue Holdings Inc. is ultimately beneficially owned by the family trust of Chan Ho Sing.

The details of the shares options outstanding during the Period are disclosed under the section "Share Option Schemes".

## **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**

(Continued)

Save as disclosed above, as at 30 June 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **Purchase, Sale or Redemption of Listed Securities**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## **Disclosures Under Rule 13.21 of the Listing Rules**

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Group's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to an interest-bearing 3-year transferable term loan and revolving loan facilities agreement dated 6 October 2005 entered into by the Company with a syndicate of banks in the aggregate amount HK\$280,000,000, a termination event would arise if:

- Mr. Chan ceases to be the Chairman of the Company; or
- Mr. Chan ceases to be actively involved in the day-to-day management and business of the Company.

## Corporate Governance

The Group has adopted all the Code Provisions in the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules of the Stock Exchange. Throughout the six months ended 30 June 2006, the Group has complied with all the Code Provisions except for the following deviations:

1. Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chan Ho Sing currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.
2. Under A.4.1 of the CG Code, executive directors should be appointed for a specific term, subject to re-election. Under the Period, all the Independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company under Bye-law 87 of the Company’s Bye-laws.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are in line with the Code Provisions.

## Compliance with the Model Code

The Group has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry by the Company, all Directors have fully confirmed that they fully complied with the Model Code throughout the Period.

## Audit Committee

The Audit Committee comprises three members and all of whom are Independent Non-executive Directors of the Company. None of them is employed by or otherwise affiliated with former or existing auditors of the Company. The Audit Committee meets four times a year and the external auditors are invited to attend the Audit Committee's meeting when required.

An internal audit department was established to assist the Audit Committee to evaluate the Group's internal control systems and to monitor the Group's risk management framework.

The interim financial report for the Period is unaudited, but has been independently reviewed by Messrs Ernst & Young in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with management together with Messrs Ernst & Young the accounting principles and practices adopted by the Group in the interim financial report for the Period.

## Remuneration Committee

A Remuneration Committee was established on 22 March 2006 by the Company to consider the remuneration of the directors and senior management of the Company. The Remuneration Committee comprises of two Independent Non-executive Directors and one Executive Director. As at 30 June 2006, the members of the Remuneration Committee comprise Mr. Mar, Selwyn, Mr. Chan Ho Sing and Dr. Li Sau Hung, Eddy. Mr. Mar is the Chairman of the Remuneration Committee.

## Internal Control

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. The Board conducts regular reviews regarding internal control systems of the Group. The Group convenes meetings periodically to discuss financial, operational and risk management control matters. During the Period, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

## Interim Dividend

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2006 of HK2.0 cents (2005: HK1.5 cents) in cash per share, totalling HK\$8,588,000 payable on Tuesday, 31 October 2006 to shareholders whose names appear on the register of members of the Company on Friday, 13 October 2006.

## Closure of Registers of Members and Warrantholders

The registers of members and warrantholders will be closed from Monday, 9 October 2006 to Friday, 13 October 2006, both days inclusive, during which period no transfer of shares will be effected and no share of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to ascertain the right to receive interim dividend, all transfers, accompanied by the relevant share certificate and all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged for registration with the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4.00 p.m. on Friday, 6 October 2006.

By order of the Board

**CHAN Ho Sing**

*Chairman*

Hong Kong, 18 September 2006