

Share Option Scheme

Pursuant to the written resolution passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the "Scheme") was approved and adopted. Relevant information relating to the Scheme is set out as follows:

(a) Purpose of the Scheme

The purpose of the Scheme is to provide incentive to eligible persons for their contribution to the Group. The Board of Directors may offer any full-time or part-time employee, executives or officers of the Company or any of its subsidiaries; any Directors of the Company or any of its subsidiaries or any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

(b) Maximum number of Shares Available for Issue under the Scheme

Except with the approval of the Company's shareholders at general meeting and the issue of a circular by the Company, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer. No options may be granted under the Scheme if this will result in such limit being exceeded. As at the date of this report, the Company has granted share options representing the right to subscribe for 11,500,000 Shares under the Scheme, representing approximately 0.6% of the total number of Shares in issue.

(c) Maximum Entitlement of Each Participant under the Scheme

Except with the approval of the Company's shareholders at general meeting and the issue of a circular by the Company, no option shall be granted to any participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including both exercised, cancelled and outstanding options) in any 12 month period up to and including such further grant would exceed 1% of the total number of Shares in issue as at the date of grant.

(d) Period and Payment on Acceptance of Options

An offer of grant of an option may be accepted by a grantee and will have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

(e) Basis of Determining the Exercise Price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price determined by the Board of Directors and notified to the participants and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Share Option Scheme (continued)

(f) Period of the Scheme

Subject to earlier termination by the Company in general meeting or by the Board of Directors, the Scheme shall be valid and effective for a period of ten years from the date of adoption, ie 26 April 2006.

Details of the share options granted, exercised, lapsed and cancelled under the Scheme upto the reporting date are as follows:

	Granted	Exercised	Lapsed	Cancelled	Outstanding options held as at the reporting date	Approximate percentage of issued share capital of the Company (%)
Executive Directors						
Nie Jiansheng	2,100,000	–	–	–	2,100,000	0.12
Zhang Jinming	2,000,000	–	–	–	2,000,000	0.11
Xue Lingsen	1,100,000	–	–	–	1,100,000	0.06
Yuan Baotong	1,100,000	–	–	–	1,100,000	0.06
Jiao Hongxun	1,100,000	–	–	–	1,100,000	0.06
Non-executive Director						
Wang Guanghao	2,300,000	–	–	–	2,300,000	0.13
Other employees	1,800,000	–	–	–	1,800,000	0.10
Total	11,500,000	–	–	–	11,500,000	0.64

All of the above share options were granted on 1 August 2006, with an exercise price of HK\$2.28 per share and are exercisable from 1 February 2007 to 1 August 2016.

Directors' Interests in Securities

As at the date of this report, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"), including interests and short positions which the directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

Name of Directors	Long position/ Short position	Number of shares	Number of share options outstanding	Exercise price HK\$	Date of grant	Aggregate percentage of interest (%)
Wang Guanghao	Long position	–	2,300,000	2.28	01/08/2006	0.13%
Nie Jiansheng	Long position	–	2,100,000	2.28	01/08/2006	0.12%
Zhang Jinming	Long position	–	2,000,000	2.28	01/08/2006	0.11%
Xue Lingsen	Long position	–	1,100,000	2.28	01/08/2006	0.06%
Yuan Baotong	Long position	–	1,100,000	2.28	01/08/2006	0.06%
Jiao Hongxun	Long position	–	1,100,000	2.28	01/08/2006	0.06%
Kwan Hung Sang, Francis*	Long position	500,000	–	–	–	0.03%

* The above interests are held in the capacity as a beneficial owner.

Interest in Issued Ordinary Shares and Underlying Shares of Associated Corporations

As at 30 June 2006, certain directors of the Company had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of SFO). Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, Tianjin Development Holdings Limited ("Tianjin Development") are as follow:

Name of Directors	Long position/ Short position	Number of shares	Number of share options outstanding	Exercise Price HK\$	Date of grant	Exercise Period	Aggregate Percentage of interest (%)
Wang Guanghao	Long position	–	1,000,000	3.10	23/12/2004	28/12/2004 – 21/11/2007	0.10%
Nie Jiansheng	Long position	–	700,000	3.10	23/12/2004	28/12/2004 – 21/11/2007	0.07%

* The above interests are held in the capacity as a beneficial owner.

Save as disclosed above, as at 30 June 2006 and the date of this report, there were no other interests or short positions of the directors nor chief executive of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Shareholders with Notifiable Interests

As at 30 June 2006, other than the interests and short positions held by directors and chief executive of the Company as disclosed above, the following persons have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares in which the shareholder has deemed to have interests	Percentage of shareholding (%)
Leadport Holdings Limited	Beneficial owner	1,122,000,000	62.8%
Tianjin Development (Note 1)	Interest of controlled corporations	1,122,000,000	62.8%
Tsinlien Group Company Limited ("Tsinlien") (Note 2)	Interest of controlled corporations	1,148,820,000	64.3%

Notes:

1. Leadport Holdings Limited is a wholly-owned subsidiary of Tianjin Development. By virtue of the SFO, Tianjin Development is deemed to be interested in all the Shares held by Leadport Holdings Limited.
2. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at 30 June 2006, Tianjin Investment Holdings Limited is directly interested in 26,820,000 Shares, representing approximately 1.5% of the issued share capital of the Company. Tsinlien Venture Capital Company Limited is a wholly-owned subsidiary of Tsinlien and a shareholder of Tianjin Development. By virtue of the SFO, Tsinlien is deemed to be interested in all the Shares held by or deemed to be interested in by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited.

Save as disclosed above, as at 30 June 2006, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in the shares and underlying shares of the Company.

Purchases, Sale or Redemption of Listed Securities

During the six months ended 30 June 2006, there was no purchase, sale or redemption by the Company of its securities except its issue of 664,700,000 new shares (taking into account the exercise of the over allotment option in full) as disclosed in the Prospectus.

Corporate Governance

The Group is committed to maintaining a sound and effective system of corporate governance, a monitoring framework to ensure transparency and accountability in its operational processes, management processes, and decision-making processes. These measures are designed to protect and enhance shareholders' interest. During the period, the Group has complied with the relevant requirements.

The Board has set up an audit committee comprising Dr. Cheng Chi Pang, Leslie (chairman of the committee), Professor Japhet Sebastian Law and Mr. Kwan Hung Sang, Francis – all independent non-executive Directors of the Company. The audit committee's main objective is to advise the Board on matters pertaining to internal controls system, financial reporting systems and communication with the external auditors. The interim financial report of the Group for the six months ended 30 June 2006 has been reviewed by the audit committee.

At the same time the Board has also set up a remuneration committee comprising of two independent non-executive Directors: Professor Japhet Sebastian Law (chairman of the committee) and Mr. Kwan Hung Sang, Francis and one executive Director, Mr. Nie Jiansheng. The remuneration committee's main objective is to advise the Board on the policy and structure for all remuneration of directors and senior management.

Compliance With Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules") for the period commencing from 24 May 2006 (the date on which the Company's ordinary shares were listed on the Stock Exchange) to 30 June 2006.

Compliance With Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to Listing Rules as the code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code since the listing of the shares of the Company on the Stock Exchange on 24 May 2006 to 30 June 2006.