

## Remuneration Committee

The Remuneration Committee was established in March 2006. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our shareholders. The Remuneration Committee is responsible for overseeing the determination of directors' remuneration and benefits and establishing a formal and transparent procedure for developing policy on remuneration.

In addition, the Remuneration Committee also supervises and enforces the share option schemes of the Company in an effective manner. Details of the authority and duties of the committee are clearly set out in its terms of reference, which also specify that the committee shall consist of at least three members and the majority shall be independent non-executive Members.

The objective of the Company's remuneration policy is to maintain fair and competitive remuneration packages in line with business requirements and industry practices. In determining the level of directors' remuneration and fees, the Company takes into account market rates and other factors, such as the workload, duties and job complexity of individual directors. The factors for consideration in determining directors' remuneration include:

- business requirements;
- individual performance and contribution to business results;
- retention considerations and personal potential;
- market changes, such as fluctuations in demand and supply and variations in the competition landscape; and
- general economic situation.

During the review process, no individual director is involved in the determination of his own remuneration. Since the Company was listed on the Stock Exchange on 3 March 2006, the Remuneration Committee had one meeting in the financial year 2006, with 100% attendance.

The following is a summary of work performed by the Remuneration Committee in the financial year 2006:

- (i) recommendation for the Board's approval of the non-executive director fee in 2006;
- (ii) review of the remuneration of directors;
- (iii) review and approval of the remuneration packages and service contracts of executive directors;
- (iv) oversight of the Pre-IPO Share Option Scheme and the Share Option Scheme of the Company; and
- (v) review of the scope of duties of the Remuneration Committee adopted in February 2006.

## Share Option Schemes

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme. Each grantee is required to pay a non-refundable consideration of HK\$1.00 upon each acceptance of options. The principal terms of the two schemes are as follows:

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**Pre-IPO Share Option Scheme**

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution which have been or may be made by certain employees, executives and officers of the Group towards the growth of the Group and/or the listing of the shares of the Company on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were ratified, confirmed and approved by written resolutions passed by all the shareholders on 12 February 2006 to be effective from 1 January 2006, are substantially the same as the terms of the Share Option Scheme, except that:

- (i) the exercise price per share is a price representing a 10% discount on the Offer Price of HK\$3.40 upon listing;
- (ii) the total number of shares subject to the Pre-IPO Share Option Scheme is 100,000,000 shares; and
- (iii) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the shares on the Stock Exchange.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at 30 June 2006:

Grantee	Outstanding number as at 1 January 2006	Number of options			Outstanding as at 30 June 2006	Approximate percentage of shareholding
		Exercised during the year	Cancelled during the year	Lapsed during the year		
(i) Directors						
Ms. Cheung Yan (Note 4)	16,923,315	-	-	-	16,923,315	0.40%
Mr. Liu Ming Chung (Note 4)	16,914,184	-	-	-	16,914,184	0.40%
Mr. Zhang Cheng Fei	11,814,821	-	-	-	11,814,821	0.28%
Ms. Tam Wai Chu, Maria	1,166,670	-	-	-	1,166,670	0.03%
Mr. Chung Shui Ming, Timpson	1,166,670	-	-	-	1,166,670	0.03%
Dr. Cheng Chi Pang	1,166,670	-	-	-	1,166,670	0.03%
	49,152,330	-	-	-	49,152,330	1.17%
(ii) Employees and others	50,847,670	-	-	(1,414,000)	49,433,670	1.19%
<b>Total</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>(1,414,000)</b>	<b>98,586,000</b>	<b>2.36%</b>

## Notes:

- (1) The exercisable period for all options granted under the Pre-IPO Option Scheme is from 1 January 2007 to 31 December 2011.
- (2) All options under the Pre-IPO Option Scheme were granted on 1 January 2006 at an exercise price of HK\$3.06 per share.

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- (3) Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise:–
- (i) up to 20% of the shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing on the first anniversary of the date on which the relevant option was so granted to him/her on 1 January 2006 (“Grant Date”) and ending on the second anniversary of the Grant Date;
  - (ii) up to 40% of the shares that are subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the second anniversary of the Grant Date and ending on the third anniversary of the Grant Date;
  - (iii) up to 60% of the shares that are subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the third anniversary of the Grant Date and ending on the 54th month from the Grant Date; and
  - (iv) such number of shares subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time commencing from the expiry of the 54th month from the Grant Date and ending on the expiration of 60 months from the date upon which such option is deemed to be granted and accepted in accordance with the rules of the Pre-IPO Share Option Scheme.
- (4) Mr. Liu Ming Chung is the spouse of Ms. Cheung Yan. Therefore, Ms. Cheung Yan is deemed to be interested in the shares subject to the share options granted to Mr. Liu Ming Chung and Mr. Liu Ming Chung is deemed to be interested in the shares subject to the share options granted to Ms. Cheung Yan.

Save as disclosed above, no option was granted, cancelled or lapsed during the year ended 30 June 2006.

The fair value of options granted under Pre-IPO Share Option Scheme was determined using the “binomial valuation model”. The significant inputs into the model were:

- risk-free rate of return – yield of 5-year Exchange Fund Notes;
- forecast fluctuations in share price – with reference to the annual rate of change during the year immediately before the Grant Date, which was 25% for the past two years; and
- forecast dividend yield – 5% for the exercisable period, expected to be payable every year.

Based on the “binomial valuation model”, the total value of the outstanding options as at 1 January 2006 was HK\$70,275,599.

The “binomial valuation model” is designed to assess the fair value of American options and is a common choice among various option pricing models for assessing the fair value of options which may be exercised before the expiry of the exercisable period. The value of the options depends on the valuation arrived at based on certain subjective assumptions on variables. Any changes in the variables used may cause a substantial effect on the assessment of the fair value of the options.

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### Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contribution which the eligible participants have made or may make towards the Group. Pursuant to the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any adviser, consultant, supplier, customer or agent of the Group.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an employee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this limit shall be subject to the approval of shareholders in a general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

During the financial year 2006, no option was granted by the Company under the Share Option Scheme.

### Emolument Details

Details of the emoluments of the directors and the senior management are set out in note 21 to the financial statements.