

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2002, the Group employed 322 staff (31st March, 2001: 312). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Save as disclosed hereunder, no option has been granted to any employee pursuant to the Company's share option scheme adopted on 23rd January, 2002.

AUDIT COMMITTEE

The Audit Committee was set up on 23rd January, 2002 and has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters which included a review of the Interim Accounts for the six months ended 31st March, 2002.

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2002, the interests of the directors in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company are as follows:

Name of Director	Name of company	Personal interests	Number of shares		Other interest	Total interest
			Corporate interest	Family interest		
Yu Lai Si	The Company	77,666,880 ordinary	—	—	—	77,666,880 ordinary
	Water Oasis Company Limited	330,000 non voting deferred				330,000 non voting deferred
Tam Chie Sang	The Company	—	—	—	77,666,880 ordinary (1)	77,666,880 ordinary
	Water Oasis Company Limited	165,000 non voting deferred	—	165,000 non voting deferred (2)	—	330,000 non voting deferred
Yu Lai Chu, Eileen	The Company	—	—	—	77,666,880 ordinary (1)	77,666,880 ordinary
	Water Oasis Company Limited	165,000 non voting deferred	—	165,000 non voting deferred (3)	—	330,000 non voting deferred

Name of Director	Name of company	Personal interests	Number of shares			Total interest
			Corporate interest	Family interest	Other interest	
Yu Kam Shui, Erastus	The Company	–	–	38,833,440 ordinary (5)	38,833,440 ordinary (4)	77,666,880 ordinary
	Water Oasis Company Limited	50 ordinary	–	50 ordinary (6)	–	100 ordinary
	Water Oasis Company Limited	170,000 non voting deferred	–	170,000 non voting deferred (6)	–	340,000 non voting deferred
Lai Yin Ping	The Company	–	–	38,833,440 ordinary (4)	38,833,440 ordinary (5)	77,666,880 ordinary
	Water Oasis Company Limited	50 ordinary	–	50 ordinary (7)	–	100 ordinary
	Water Oasis Company Limited	170,000 non voting deferred	–	170,000 non voting deferred (7)	–	340,000 non voting deferred

Notes:

- (1) These shares are registered in the name of Zinna Group Limited. All voting rights over Zinna Group Limited are held by Royalion Worldwide Limited, which is wholly owned by Hitchin Trading Limited as trustee of Hitchin Unit Trust which in turn is ultimately held by Trident Trust Company (Cayman) Limited, which forms part of the discretionary trust set up by Tam Chie Sang and Yu Lai Chu, Eileen. Trident Trust Company (Cayman) Limited is the trustee of the discretionary trust, the beneficiaries of which are the family members of Tam Chie Sang and Yu Lai Chu, Eileen.
- (2) These shares are registered in the name of Yu Lai Chu, Eileen, the wife of Tam Chie Sang.
- (3) These shares are registered in the name of Tam Chie Sang, the husband of Yu Lai Chu, Eileen.
- (4) These shares are registered in the name of Advance Favour Holdings Limited, a British Virgin Islands company held by K S Yu 2002 Grantor Retained Annuity Trust formed for the benefit of Yu Kam Shui, Erastus and Yu Kam Shui, Erastus' mother Fung Sin Ping and upon her death, Lai Yin Ping's sister, Lai Yin Ling. Yu Kam Shui, Erastus and Lai Yin Ping are the trustees to the K S Yu 2002 Grantor Retained Annuity Trust.
- (5) These shares are registered in the name of Billion Well Holdings Limited, a British Virgin Islands company held by Y P Lai 2002 Grantor Retained Annuity Trust formed for the benefit of Lai Yin Ping, Lai Yin Ping's mother, Wong Kwai Ying and upon the death of Lai Yin Ping's mother, Lai Yin Ping's sister, Lai Yin Ling. Lai Yin Ping is the sole trustee to the Y P Lai 2002 Grantor Retained Annuity Trust.

(6) These shares are registered in the name of Lai Yin Ping, the wife of Yu Kam Shui, Erastus.

(7) These shares are registered in the name of Yu Kam Shui, Erastus, the husband of Lai Yin Ping.

Saved as disclosed above, none of the directors had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2002.

SHARE OPTIONS

At 31st March, 2002, the Company had the following outstanding share options granted to a supplier of the Group:

Grantees	Date of grant	Exercise price <i>HK\$</i>	Exercisable period	Number of share options		
				Balance as at 1st October, 2001	Granted during the period	Balance as at 31st March, 2002
H ₂ O Plus, L.P.	11th March, 2002	1.18	11th March, 2002 to 10th March, 2012	–	3,264,000	3,264,000

No options were exercised, cancelled or lapsed during the six months ended 31st March, 2002.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those stated below:

Name	Number of ordinary shares	Approximate percentage of voting power
Yu Lai Si	77,666,880	23.8%
Zinna Group Limited ⁽¹⁾	77,666,880	23.8%
Advance Favour Holdings Limited ⁽²⁾	38,833,440	11.9%
Billion Well Holdings Limited ⁽³⁾	38,833,440	11.9%

Notes:

- (1) All voting rights of Zinna Group Limited are held by Royalion Worldwide Limited, which is wholly owned by Hitchin Trading Limited as trustee of Hitchin Unit Trust which in turn is ultimately held by Trident Trust Company (Cayman) Limited which forms part of a discretionary trust set up by Tam Chie Sang and Yu Lai Chu, Eileen. Trident Trust Company (Cayman) Limited is the trustee of the discretionary trust, the beneficiaries of which are the family members of Tam Chie Sang and Yu Lai Chu, Eileen.
- (2) Advance Favour Holdings Limited is a British Virgin Islands company held by K S Yu 2002 Grantor Retained Annuity Trust formed for the benefit of Yu Kam Shui, Erastus and Yu Kam Shui, Erastus' mother Fung Sin Ping and upon her death, Lai Yin Ping's sister, Lai Yin Ling. Yu Kam Shui, Erastus and Lai Yin Ping are the trustees to the K S Yu 2002 Grantor Retained Annuity Trust.
- (3) Billion Well Holdings Limited is a British Virgin Islands company held by Y P Lai 2002 Grantor Retained Annuity Trust formed for the benefit of Lai Yin Ping, Lai Yin Ping's mother, Wong Kwai Ying and upon the death of Lai Yin Ping's mother, Lai Yin Ping's sister, Lai Yin Ling. Lai Yin Ping is the sole trustee to the Y P Lai 2002 Grantor Retained Annuity Trust.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 31st March, 2002. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 31st March, 2002.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 31st March, 2002 except that the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

By order of the Board
Cheng Chi Wai
Company Secretary

Hong Kong, 17th June, 2002