



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Throughout the period for the six months ended 30th June, 2006, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The Company does not propose to comply with code provision A.2.1 for the time being. The chairman currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerable period of time and no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment where the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates.

MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

In response to the specific enquiry made on them, all the directors of the Company confirm that they have complied with the required standard as set out in the Model Code throughout the six-month period ended 30th June, 2006.

REVIEW BY AUDITORS

The interim financial report of the Company for the six months ended 30th June, 2006 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants ("DTT") in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review conclusion has been issued.

AUDIT COMMITTEE

In consultation with DTT, the audit committee has reviewed with management the consolidated results of the Company for the period ended 30th June, 2006.



CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June, 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), as required to be entered in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:—

1. Long positions in shares and underlying shares of the Company

Name of Directors	Number of shares		Number of underlying shares			Total	% of shares in issue
	Beneficial interests	Interests held by controlled corporation	Beneficial interests	Interests held by controlled corporation	Beneficial interests		
Lincoln Lu	618,000	304,090,506	572,717	50,612,582	—	355,893,805*	61.08
Lambert Lu	610,000	304,090,506	572,717	50,612,582	—	355,885,805*	61.08
Lu Wing Yuk, Andrew	—	—	—	—	3,000,000	3,000,000	0.51
Tse Man Bun	100,000	—	—	—	—	100,000	0.02
Lam Sing Tai	90,000	—	11,478 [‡]	—	—	101,478	0.02

Notes * (1) Of these shares and warrants of the Company, 304,090,506 shares and warrants carrying 50,612,582 underlying shares deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were, therefore, duplicated between these two directors for the purpose of the SFO. The said 304,090,506 shares and warrants carrying 50,612,582 underlying shares were held by Nan Luen International Limited ("NLI"), which was 63.58% owned by JCS Limited ("JCS") and was 3.21% owned by each of Messrs. Lincoln Lu and Lambert Lu.

(2) JCS was 26.09% owned by a discretionary trust, of which both directors are beneficiaries. In addition, Messrs. Lincoln Lu and Lambert Lu were each interested in 11.95% of the issued shares in JCS directly. JCS is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

[‡] Of these shares, 5,739 shares were held by the spouse of Mr. Lam Sing Tai.



CORPORATE GOVERNANCE AND OTHER INFORMATION

2. Long positions in shares and underlying shares of associated corporations

(a) JCS

Name of Directors	Number of shares		Total	% of shares in issue
	Beneficial interests	Interests as discretionary trust beneficiary		
Lu Wing Chi	3,000	12,000 ¹	15,000	32.61
Lincoln Lu	5,500	12,000 ¹	17,500	38.04
Lambert Lu	5,500	12,000 ¹	17,500	38.04

(b) NLI

Name of Directors	Number of shares		Total	% of shares in issue
	Beneficial interests	Interests held by controlled corporation		
Lu Wing Chi	46,938	—	46,938	30.00
Lincoln Lu	5,021	99,480 ²	104,501	66.79
Lambert Lu	5,021	99,480 ²	104,501	66.79

Notes:

- 12,000 shares in JCS deemed to be interested by Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu represented the same interests and were, therefore, duplicated amongst these three directors for the purpose of the SFO. Such shares were held by a discretionary trust, of which all three directors are beneficiaries.
- 99,480 shares in NLI deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were, therefore, duplicated between these two directors for the purpose of the SFO. These shares were held by JCS, which is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

Further details of the interests of the directors and chief executive in the share options are stated in the section headed "Employee Share Option Schemes" below.

Saved as disclosed above, as at 30th June, 2006, none of the directors and chief executive nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



CORPORATE GOVERNANCE AND OTHER INFORMATION

EMPLOYEE SHARE OPTION SCHEMES

Old scheme

The Company operates an Employee Share Option Scheme (the “Old Scheme”) adopted by ordinary resolution on 23rd June, 2000, which complies with the Listing Rules as existed prior to 1st September, 2001. The rules governing share options were revised to the form currently set out in Chapter 17 of the Listing Rules on 1st September, 2001. According to the transitional arrangement set out in the Listing Rules, the Company cannot grant further options under the Old Scheme unless it is amended to comply with the new requirements set out in the Listing Rules. The Company has not granted any share options since 1st September, 2001. At the special general meeting held on 19th August, 2005, the Old Scheme was terminated.

New scheme

The Company adopted a New Employee Share Option Scheme (the “New Scheme”) at the special general meeting held on 19th August, 2005 which is in compliance with the new requirements set out in the Listing Rules.

Options granted

During the period for the six months ended 30th June, 2006, the Company did not grant any share option under the New Scheme. All options granted prior to the termination of the Old Scheme will continue to be valid and exercisable in accordance with the provisions of the Old Scheme. No options were cancelled or lapsed during the period under review.

Details of the outstanding share options granted pursuant to the Old Scheme and held by a director as at 30th June, 2006, and of another director and a participant who exercised their rights to subscribe for shares in the Company during the period under review are as follows:

Directors/Participant	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options		
				Outstanding as at 1.1.2006	Exercised during the review period*	Outstanding as at 30.6.2006
Lu Wing Chi	4.12.2000	1.44	4.12.2000 — 3.12.2010	12,500,000	12,500,000	0
Lu Wing Yuk, Andrew	4.12.2000	1.44	4.12.2000 — 3.12.2010	3,000,000	—	3,000,000
A participant	4.12.2000	1.44	4.12.2000 — 3.12.2010	5,250,000	5,250,000	0
				20,750,000	17,750,000	3,000,000

* The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$4.16 per share.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Saved as disclosed above, none of directors or their spouses or children under the age of 18 years exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 30th June, 2006.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any director or chief executive of the Company, as at 30th June, 2006, corporations or persons (other than a director or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Number of underlying shares (warrants)	Total	% of shares in issue
JCS ²	Held by controlled corporation	304,090,506	50,612,582	354,703,088 ¹	60.88
NLI ³	Beneficial interests	304,090,506	50,612,582	354,703,088 ¹	60.88
Pacific Rose Enterprises Limited	Beneficial interests	31,955,873	3,581,257	35,537,130	6.10

Notes:

1. 304,090,506 shares and warrants carrying 50,612,582 underlying shares interested by NLI and deemed to be interested by JCS represented the same interests and were, therefore, duplicated amongst these two shareholders for the purpose of the SFO. JCS was interested in 63.58% of the shares in NLI.
2. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all of whom are directors of the Company, are also directors of JCS.
3. Messrs. Lu Wing Chi, Lincoln Lu, Lambert Lu and Lu Wing Yuk, Andrew, all of whom are directors of the Company, are also directors of NLI.

Save as disclosed above, the directors are not aware of any other corporation or person who, as at 30th June, 2006, had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2006, the Company did not redeem any of its listed shares or warrants nor did the Company and its subsidiaries purchase or sell any of the Company's listed shares or warrants.

SHARE REGISTRATION

The Register of Members of the Company will be closed from Tuesday, 17th October, 2006 to Friday, 20th October, 2006, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 16th October, 2006. Warrant holders who wish to be entitled to the interim dividend must exercise their subscription rights not later than 4:00 p.m. on Monday, 16th October, 2006.