

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2005, the interests and short positions of the substantial shareholders in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Name of substantial shareholder	Capacity and nature of interest	No. of ordinary shares held	No. of share options held	Total no. of ordinary shares and share options held	% of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner of 13,852,000 shares and 7,300,000 share options and interest in controlled corporation of 224,710,724 shares ( <i>Note</i> )	238,562,724	7,300,000	245,862,724	38.09%
Peipus International Ltd.	Beneficial owner	224,710,724	–	224,710,724	34.81%
Nordea I SICAV-Far Eastern Value Fund	Investment manager	46,033,000	–	46,033,000	7.13%

*Notes:* The entire issued share capital of Peipus International Ltd., is owned by Mr. Yang Long-san, Rowell. Accordingly, Mr. Yang Long-san, Rowell is deemed to be interested in all the shares in which Peipus International Ltd. is interested pursuant to the SFO.

Save as disclosed above and under the section headed "SHARE OPTIONS", there were no interest or a short position in the shares and underlying shares of the Company, which were recorded in the register as required to be kept pursuant to Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 31 December 2005 with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for (i) code provision A.2.1 which stipulates that the roles of the Chairman of the board of Directors and the Chief Executive Officer ("CEO") of the Group should be separate and should not be performed by the same individual, (ii) code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The Board believes that vesting the roles of both Chairman and CEO in Mr. Yang Long-san, Rowell provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. Although the Chairman and CEO is the same individual, power and authority are shared with the Deputy Chairman and all major decisions are made in consultation with members of the Board as well as top management. Therefore, the Board is of the view that there are adequate balance of power and safeguards in place.

The Company's independent non-executive directors are not appointed for a specific terms, however, one-third of all the directors of the Company are subject to retirement by rotation at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Board considers that sufficient measures have been made to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the Code Provisions.

The Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the Chairman and Chief Executive Officer, are necessary.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules during the relevant accounting period and all directors have complied with the required standard of dealings set out therein.

## **AUDIT COMMITTEE**

The Audit Committee comprises the three independent non-executive directors of the Company, with written terms of reference in line with the code provisions of the Code on Corporate Governance Practices.

The Group's unaudited condensed consolidated financial statements for the period ended 31 December 2005 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## **REMUNERATION COMMITTEE**

The remuneration committee comprises two independent non-executive directors, namely Mr. Lee Chiu-kang, Alex and Mr. Lau Siu-ki, Kevin, and Mr. Wong Kui-ming, Luffer, an executive director of the Company. The remuneration committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance.

## **THE BOARD**

As at the date of this report, the Executive Directors of the Company are Mr. Yang Long-san, Rowell, Mr. Wang Ming-chun, Morris, Mr. Wong Kui-ming, Luffer, Mr. Chang Su-pong, Steve and Ms. Hui Siu-ling, Elina. The Independent Non-Executive Directors are Mr. Lee Chiu-kang, Alex, Mr. Lau Siu-ki, Kevin and Mr. Liu Zixian.

On behalf of the Board  
**Yang Long-san, Rowell**  
*Chairman and Chief Executive Officer*

Hong Kong, 15 March 2006