



## **THE CG CODE AND THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY (THE “MODEL CODE”)**

In the opinion of the Board, the Company has complied with the CG Code in force on 1 January 2005 throughout the accounting period under review. The Company set up the Remuneration Committee and the Nomination Committee on 4 April 2005 and the terms of reference of such committees (including Audit Committee) are available on the Company's website. The Group has also complied with Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive directors (including one with appropriate professional qualifications, or accounting or related financial management expertise, details of their biographical details were set out in the 2004 Annual Report of the Company), which representing more than one-third of the Board. As such, we have of sufficient caliber and number for views to carry weight. However, the Company has certain deviations in relation to Code Provisions A.4.1 and A.4.2; whereas (i) the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association (the “Articles”) and (ii) not every director is subject to retirement by rotation at least once every three years. The reason for the deviation of Code Provision A.4.1 is that we believe that the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices. However, the Company shall take relevant measures towards compliance with this code provision if appropriate. As regard deviation of Code Provision A.4.2, this requirement has been complied with by obtaining the shareholders' approval of amending the Articles at the annual general meeting held on 13 June 2005.

In addition, the Company adopted the Model Code on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules on 6 April 2004 and refined it on 4 April 2005.

The Company had also made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code. As such, during the period under review, save as disclosed above, none of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the Model Code.

### APPRECIATION

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The dedication of the management and staff of the Group is an important ingredient necessary to meet the challenges and opportunities ahead. We would like to take this opportunity to record our cordial thanks to them all.

By Order of the Board

**Cao Zhong**

*Chairman*

Hong Kong, 14 September 2005

*This interim report can also be accessed through the internet at the Company's website <http://www.shougangcentury.com.hk> or <http://www.irasia.com/listco/hk/sccentury/index.htm>.*