

*Note:*

Proper Glory is a private company incorporated in the British Virgin Islands and is wholly owned by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 30 June 2005 as recorded in the register required to be kept by the Company 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 purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2005.

### **CORPORATE GOVERNANCE**

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("CG Code") which has come into effect for accounting periods commencing on or after 1 January 2005. In the opinion of the Directors, the Company has applied the principles and complied with the requirements as set out in the CG Code, with a major deviation from CG Code provision A.2.1 in respect of the separation of roles of the Chairman and Chief Executive Officer throughout the review period. Details are described as follows:

The Board, headed by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all crucial and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Management is responsible for the daily operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other Executive Directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

The role of the Chairman and Chief Executive Officer of the Group rests on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision-making for the following reason:

- The independent non-executive directors proactively challenge the assumptions and proposals of the management, both during and outside of Board meetings through discussion with the Chairman and among the directors via email or telephone, on pertinent issues that would cast impact on the affairs and business of the Group. This enables the Board benefiting from the objective judgment from these independent non-executive directors.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. As at 30 June 2005, the audit committee comprised Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

During the period from 7 March 2005 (the resignation date of Mr. Liu Ming Hui, a former independent non-executive director) to 6 June 2005 (the appointment date of Mr. Yeung Sau Hung, Alex as an independent non-executive director), the Company had been unable to strictly comply with the relevant rules 3.10 and 3.21 of the Listing Rules requiring the Company to retain at all times a minimum of three independent non-executive directors and audit committee members.

### APPRECIATION

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

ON BEHALF OF THE BOARD

**Li Shu Fu**

*Chairman*

Hong Kong

13 September 2005