

■ BOARD PRACTICES AND PROCEDURES

Throughout the period, the Company was in general compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the matters set out in this section.

Independent non-executive Directors were not appointed for a specific term as they are subject to the provisions of retirement by rotation and re-election in accordance with the Company's Article of Association.

Furthermore, in light of the new amendments in the Listing Rules with respect to corporate governance in Appendix 14 of the Listing Rules, the Company is in the progress of forming a remuneration committee which is expected to be established by December 2005.

In addition, at or before the next annual general meeting of the Company, the Board of Directors intends to propose a resolution to the shareholders to approve certain amendments to the Articles of Association of the Company so that it will be in line with the Listing Rules.

■ CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

During the six months ended 30 June 2005, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exactly than the required standard in the Model Code as set out in Appendix 10 of the Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard in the Model Code and its code of conduct regarding Directors' securities transactions.

■ AUDIT COMMITTEE

The primary duties of the audit committee are to review the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. HUNG Randy King Kuen (Chairman of the audit committee), Mr. CHEN Xiaohong and Mr. HE Xingui. The interim results for the six months ended 30 June 2005 have been reviewed by the audit committee.

■ PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights requiring the Company to offer new shares to its existing shareholders in proportion to their shareholdings and there is no restriction against such rights under the laws of the Cayman Islands.

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

The Company's shares were listed on the Main Board on 18 November 2004. Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.