

## **CORPORATE GOVERNANCE**

The Company has adopted throughout the period ended 30th June, 2005 with the Code of Corporate Governance Practices (“Code Provisions”) set out in the Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange.

During the period, the Company had complied with the Code Provisions except for the following deviations:

### **Code A.2.1**

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Poon Siu Chung is the Chairman and Chief Executive of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believe that having Mr. Poon performing the roles of Chairman and Chief Executive is beneficial to the business prospects of the Company.

### **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms not less exacting than the required standard set out in Appendix 10 of the Listing Rules (“Model Code”).

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors, securities transactions during the six months ended 30th June, 2005.

### **AUDIT COMMITTEE**

The Company has established an audit committee which comprises Mr. Tong Wui Tung, the non-executive Director and Mr. Yip Chi Hung, Mr. Lam Yat Cheong and Mr. Ng Siu Yu, Larry, the independent non-executive Directors. Mr. Ng Siu Yu, Larry is the chairman of the audit committee.

The audit committee has reviewed and discussed with management the accounting principles and practices adopted by the Group, auditing internal controls and financial reporting matters including the unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2005 of the Company now reported on.