

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted a set of Corporate Governance Practice Manual (the "Manual") which was approved by the board of directors of the Company on 31st August, 2005 (the "Adoption Date") and set out the corporate governance standards and practices used by the Company. Since the adoption of the Manual, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

1. Code Provision A.4.1

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

2. Code Provisions B.1.4 and C.3.4

Under the code provisions B.1.4 and C.3.4 of the Code, the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

Since the Company has yet established its own website, the above requirement regard to provide such information on website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

Before the Adoption Date, the Company has complied with the Code for the six months ended 30th June, 2005 except for the following deviations:

1. Code Provision A.2.1

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company does not maintain the office of chief executive officer, however, the day-to-day management of the Group is responsible by the vice chairman. The division of responsibilities between the chairman and the vice chairman has been clearly established in the Manual.

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2. Code Provision A.4.2

Under the code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years.

According to the previous bye-law 99(A) of the Company's bye-laws, the chairman of the board and/or the managing director of the Company were not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

To comply with code provision A.4.2 of the Code, amendment of bye-law 99(A) of the Company's bye-laws was approved at the annual general meeting of the Company held on 29th June, 2005. Every director shall be subject to retirement by rotation at the annual general meeting at least once every three years according to the amended bye-laws of the Company.

3. Code Provision A.5.4

Under the code provision A.5.4 of the Code, the board should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 to the Listing Rules for relevant employees in respect of their dealings in the securities of the Company.

The Company adopted the Code of Ethics and Securities Transactions on no less exacting terms than the Model Code on 31st August, 2005.

4. Code Provision B.1.1

Under the code provision B.1.1 of the Code, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

A remuneration committee with its specific written terms of reference as stated in the Manual has been established on 31st August, 2005. The remuneration committee consists of two independent non-executive directors and an executive director.

5. Code Provision C.3.3

Under the code provision C.3.3 of the Code, the terms of reference of the audit committee should include at least those duties as set in the code provision.

The terms of reference of the audit committee of the Company have been revised to incorporate all the duties set out in the code provision C.3.3 and were approved by the board of directors of the Company on 31st August, 2005.

ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June, 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in accordance with the code provision B.1.1 on 31st August, 2005. The remuneration committee comprises two independent non-executive directors, namely Mr. Hung Cho Sing and Mr. Fung Ho Sum, and an executive director, namely Ms. Chen Ming Yin, Tiffany. Ms. Chen Ming Yin, Tiffany is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the board of directors of the Company on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group. The terms of reference of the remuneration committee shall make available to the public on request.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

Advance to an entity under Rule 13.13

Advances to entities by the Group which individually exceeded 8% of the relevant percentage ratios under Rule 13.13 of the Listing Rules at 30th June, 2005 were as follows:

- (i) On 15th March, 2004, the Group entered into a subscription agreement with Givon Enterprises Corp. ("Givon") and a subscription agreement with Stylish Century Enterprises Inc. ("Stylish") respectively. The ultimate beneficial owners of Givon and Stylish ("the Note Issuers") are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates. Pursuant to the relevant subscription agreements, the Group agreed to subscribe for two convertible notes (the "Convertible Notes") issued by the Note Issuers at a consideration of HK\$26,000,000 each. As at 30th June, 2005, the outstanding balance of each of the Convertible Notes amounted to HK\$26,000,000.

Each of the Convertible Notes is interest bearing at 1% per annum, secured by a charge on the relevant Note Issuers' entire equity interest in Colima Enterprises Holdings Inc. ("Colima"). The Convertible Notes shall be repaid on the maturity date which is the date falling 36 months from the date of the relevant subscription agreements or the date of the listing of a proposed holding company of the artists management business on a recognised stock exchange, whichever is the earlier.

Colima, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 50% by each of the Note Issuers. The principal asset of Colima is its 51% equity interest in Together Again Limited ("TAL"), whereas the Group holds 49% equity interest. TAL is principally engaged in the provision of artists management services.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (continued)

- (ii) As at 30th June, 2005, loan receivable from Mr. Jean-Christophe Scolari (the "Vendor"), independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates) amounted to HK\$25,000,000 (the "Loan Receivable"). The Loan Receivable is secured by a corporate guarantee given by an independent third party (the "Guarantor") the ultimate beneficial owner of which is not a connected person (as defined in the Listing Rules) of the Company. In the event of the default of the Vendor, the Guarantor shall assume the liabilities of the Vendor to the Group.
- (iii) As at 30th June, 2005, the advance to Riche by the Group is set out as follows:

Entity	Attributable interest held by the Group %	Advance HK\$'000
Riche	42.54	33,800

The advance to Riche which amounted to HK\$33,800,000 represented one year term loan of HK\$33,800,000 granted to Riche by the Company on 19th April, 2005. The term loan is unsecured, bears interest at 1% per annum and repayable on demand.

Financial assistance and guarantees to affiliated companies under Rule 13.16

As at 30th June, 2005, financial assistance to and guarantees given for facilities granted to the Company's affiliated companies, namely Riche, by the Group amounted to HK\$33,800,000 which exceeded 8% of the relevant percentage ratios under Rule 13.16 of the Listing Rules.

The Group did not have any committed capital injection to any of its affiliated companies.

As at 30th June, 2005, the balance sheet of Riche is set out below:

	HK\$'000
Non-current assets	24,554
Current assets	98,879
Current liabilities	<u>(67,148)</u>
Net assets	<u><u>56,285</u></u>

PURCHASE, SALE AND 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 six months ended 30th June, 2005.

AUDIT COMMITTEE

The audit committee of the Company as at 30th June, 2005 was comprising Messrs. Hung Cho Sing, Ho Wai Chi, Paul and Fung Ho Sum, all being independent non-executive directors.

The principal duties of the audit committee are to review with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including reviews of interim and annual financial statements.

The unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2005 have been reviewed by the audit committee of the Company as well as the Group's external auditors in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Heung Wah Keung (*Chairman*), Ms. Chen Ming Yin, Tiffany (*Vice Chairman*) and Ms. Li Yuk Sheung; the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Fung Ho Sum.

By Order of the Board
Heung Wah Keung
Chairman

Hong Kong, 27th September, 2005