

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2005, except for certain deviations.

The major areas of deviation are as follows:

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election. The non-executive directors of the Company are not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provisions of the Company’s Articles of Association.
- Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third) should retire from office by rotation. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting of the Company and should then be eligible for re-election at the meeting. To ensure full compliance with the code provision A.4.2, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders at the EGM held on 23rd November, 2005.

- Code provision A.2.1 stipulates that the roles chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title CEO. Mr. Hung Hon Man is the chairman of the Company and has also carried out the responsibilities of CEO. Mr. Hung possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company’s strategies.
- Code provision B.1.1 stipulates the establishment of a remuneration committee with specific written terms of reference as set out in the provision. On 2nd December, 2005, a remuneration committee was established with written terms of reference no less exacting terms than code B.1.3. The remuneration committee comprises four independent non-executive Directors, namely Mr. Liu Chun Ning Wilfred, Mr. Chung Wai Keung, Mr. Man Kong Yui and Mr. Kwong Chi Kit Victor.
- Code provision C.3.3 stipulates that the terms of reference of the audit committee should include at least those duties as set out in the provision. On 2nd December, 2005, the terms of reference of the audit committee has been revised to ensure on compliance with the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

By order of the Board
Hung Hon Man
Chairman

Hong Kong, 2nd December, 2005