

Corporate Governance

The Company has long been committed to maintain a high standard of corporate governance practice to ensure a higher level of transparency of the Group, such that the interests of our shareholders, customers, employees as well as the long term development of the Group can be safeguarded.

The Company has adopted the Code on Corporate Governance Practices of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

In the opinion of the Directors, the Company had complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules of the Stock Exchange throughout the period under review except for Code provision A2.1.

Given its existing corporate structure, the roles of chairman and chief executive officer have not been separated. Although the functions and duties of chairman and chief executive officer have been performed by the same individual, all major decisions would only be made after consultation with the Board of Directors and (where applicable) the committees of the Board of Directors. There are three independent non-executive Directors in the Board of Directors, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules. The audit committee comprises three independent non-executive Directors, and is responsible for reviewing the accounting principles and practices adopted by the Company, any significant unusual items, internal controls and financial reporting matters, which included a review on the interim account for the period ended 30 June 2006.

Compliance with the Code of Best Practice

The directors of the Company were not aware of any information that can reasonably indicate that the Company has not complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange at any time during the period from 26 September 2005 (the date of the Company's shares commenced trading on the Stock Exchange) and up to the date of this report.

Model Code for Securities Transactions by the Director of the Company

For the six months ended 30 June 2006 the Company adopted a code of conduct regarding the securities transactions by the Directors of Company on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors and the Directors complied with the Model Code for Securities Transactions set out in Appendix 10 of Listing Rules and its required standards regarding the standards of securities transactions.

Human Resources and Employee Remuneration

During the period under review, the Group employed approximately 1,240 staff members in aggregate in the PRC and Hong Kong.

The Group persists the corporate culture of “human-oriented” that emphasizes on the development and appreciation of human resources, and has continuously put into resources to provide continuing education and on-job training for managerial staff and other staff with an aim to enhance their knowledge base and to improve their service quality. The Group has always worked together with brand suppliers also and the latter will specifically provide tailored knowhow training for the sales team and the maintenance technicians, including sales skill, brand knowledge of watch and dedicated repair and maintenance technique of watch and etc.. The Group believes that such training and education could help strengthen staff quality, thereby improve their profitability, and the Group considers such training as the stepping stone for the staff’s self development, which constitutes part of their career.

The Group has offered competitive remunerations for its staff. Other benefits provided by the Group to the employees included pension contribution scheme, insurance plan, housing and catering benefits and the like.

The Company has complied with all regulations concerning staff welfare schemes.