

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Board is committed to principles of corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

The Board has adopted the principles and complied all the applicable provisions of 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”) throughout the period ended 30 June 2006 except for deviations from provision A.4.1 and provision A.2.1 of the Code.

Provision A.4.1. stipulates that non-executive directors should be appointed for specific term and subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constituted a deviation. However, all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the Code.

On 17 January 2006, Mr. Ha Shu Tong tendered his resignation as Executive Director and Managing Director of the Company. The Company is looking for suitable candidate to fill up the vacancy and for the time being, Mr. Ni took up the role and duties as Managing Director in addition to his role of being the Chairman of the Board. As there is no segregation between the role of the Chairman and Managing Director, this constituted deviation from provision A.2.1 of the Code.

Mr. Ni is mainly responsible for leadership of the Board, investor relationship, overseeing the business development of the Company and the Group including strategic and corporate development. The Board does not consider that this structure will impair the balance of power and authority between the Board and the management of the Company given there is a clear division of responsibility for the individual business operation of the Group. Nevertheless, the Company is actively seeking a replacement to fill in the position of Managing Director who would be responsible for the day to day operation and management of the Group.

Audit Committee

The Audit Committee has reviewed with management the account principles and practices adopted by the Group and discussed accounting, internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30 June 2006.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. On specific enquiries made, the members of the Board have confirmed that they have complied with the required standard set out in the Model Code throughout the six months period ended 30 June 2006.