

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the Period with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except for the deviations in respect of the code provisions A.2.1 and A.4.1 of the Code.

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company did not segregate the roles of the chairman and chief executive officer. During the Period, the role of the chief executive officer was performed by Mr. Tam Jin Rong prior to 24 March 2006 and was subsequently performed by Mr. Yip Wai Leung Jerry, who was appointed as the chairman of the Company with effect from 24 March 2006. The Board believes that presently the size of the Group is small and vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

Code Provision A.4.1

Code provision A.4.1 of the Code stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term but were subject to the retirement provisions of the bye-laws of the Company. A special resolution was passed by the shareholders at the annual general meeting of the Company held on 5 June 2006 for the alterations of the Company's bye-laws to the effect that, among other matters, one third of the directors for the time being shall be subject to retirement by rotation at each annual general meeting, provided that every director shall be subject to retirement at least once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than those in the Code.

For further details of the status of compliance with the Code, please refer to the Company's annual report 2005.

PURCHASE, SALE OR 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 Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results of the Company for the Period.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to the shareholders, our business partners, directors and loyal and dedicated colleagues.

On behalf of the Board
Yip Wai Leung Jerry
Chairman

Hong Kong, 15 September 2006