

## CORPORATE GOVERNANCE

During the six months ended 30 June 2005, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following:-

- (a) the chairman of the board of the Company is not subject to retirement by rotation pursuant to Bye-Law 87(1) of the Company's Bye-Laws.
- (b) there is no separation of the role of the chairman and the chief executive officer ("CEO"). Mr. Michele Matsuda currently is appointed as the Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development for the Group.
- (c) a remuneration committee of the board comprising a majority of independent non-executive directors was formed on 6 September 2005.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board had adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code through the period under review.

## AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2005 with the directors.

By Order of the Board  
**Michele Matsuda**  
*Chairman*

Hong Kong, 20 September 2005