

CORPORATE GOVERNANCE

Throughout the interim period, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules except for the deviations from code provision A.4.1, A.4.2 and A.2.1.

Under the code provision A.4.1, the non-executive directors should be appointed for specific terms, subject to re-election. Currently, the Company's non-executive directors are not appointed for specific terms. However, under the current Bye-laws of the Company, at each annual general meeting, one third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Therefore, the Board considers that it is not necessary to appoint the non-executive directors for specific terms.

Under the code provision A.4.2., 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. In accordance with the previous Bye-laws of the Company, the Chairman of the Board and the Managing Director of the Company shall not be subject to retirement by rotation and any director appointed to fill a casual vacancy on the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. To comply with the code provision A.4.2., relevant amendments to the Bye-laws of the Company were proposed and approved by shareholders at the 2005 Annual General Meeting on 16 September, 2005.

Under the code provision A.2.1., the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ling Tai Yuk, John was both the chairman and the chief executive officer of the Company until 30 May, 2005. To comply with the code provision, Mr. Kong Ho Pak has been appointed as the chairman of the Company on 30 May, 2005 and responsible for the management of the Board. Mr. Ling Tai Yuk, John remains as the chief executive officer and responsible for the day-to-day management of the Company's businesses.