

CONTINGENT LIABILITIES

As at 31st December 2005, the Group and the Company did not have any significant contingent liabilities.

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 six months ended 31st December 2005.

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the six months ended 31st December 2005 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules with the following deviations:

Code Provision A.1.3

Reasonable notices were given to all directors an opportunity to attend board meetings, although not all notices were issued for at least 14 days. The board reviewed the situation and resolved to give at least 14 days notice to all directors for regular board meetings in future.

Code Provision A.2.1

Mr. Wu Yijian assumes the roles of chairman, and there is no other person designated as chief executive officer. The board believes that this structure helps maintain strong leadership which results in efficient decision making process. To help achieve a better balance of power and authority, the chairman usually discussed with other executive directors on important issues relating to the Group's businesses.

Code Provision A.4.1

None of the existing independent non-executive directors is appointed for a specific term. However, all the Directors (executive and independent non-executive) are subject to retirement at least once every three years under Bye-Law 87(1) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.4

No nomination committee is currently in place but executive directors usually consults independent non-executive directors on nominations to the Board.

Code Provision B.1.1

The Company has not established a remuneration committee in view of the Company's simple organisation structure. The Board has set up a remuneration committee and has adopted terms of reference on 10th March 2006.

Code Provision C.3.3

The revised terms of reference of the audit committee has been adopted on 10th March 2006. The unwritten duties of the audit committee closely resemble those in the CG Code.

Code Provision E.1.2

The Chairman of the Board did not attend the annual general meeting of the Company for the year 2005 which is deviated from the requirements set out in Code Provision E.1.2 as he was engaged in business outside Hong Kong.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors, namely Mr. Hu Yangxiong, Mr. Chan Wai Kwong, Peter and Mr. Kwok Wing Wah. The audit committee has reviewed with management and PKF, Certified Public Accountants, 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 for the six months ended 31st December 2005.

19

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 31st December 2005.

On Behalf of the Board

Wu Yijian
Chairman

Hong Kong, 23rd March 2006

As at the date hereof, the Board comprises five executive directors, namely, Messrs. Wu Yijian, Mo Keung, Chan Wing Yau George, Qin Chuan and Cheng Koon Cheung and three independent non-executive directors, namely, Messrs. Kwok Wing Wah, Hu Yangxiong and Chan Wai Kwong Peter.