

## GENERAL INFORMATION

### CORPORATE GOVERNANCE

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2006.

#### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules during the interim period, except that:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company has not appointed a chief executive officer and Ms. Cao Jing, Chairman of the Company is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. As such, the Board 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.

3. CG Code provision A.4.2 stipulates that (a) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Company's Bye-laws, (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election; and (b) at each annual general meeting one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third) shall retire from office by rotation save that the Executive Chairman or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. As a result, the Board concurs that the Executive Chairman need not be subject to retirement by rotation. The Company currently has no Managing Director.

4. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December, 2005, which was subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is determined by the Board and the Chairman of the Board respectively, taking into account of market situation and individual performance. This policy has been in place prior to the establishment of the Remuneration Committee.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Yu Hon To, David (Chairman), Ye Jianping and Zhang Shaohua. Regular meetings have been held by the Audit Committee of the Company since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2006 has not been audited, but has been reviewed by the Audit Committee.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

### Long positions in ordinary shares of the Company

| Name of director | Nature of interests | Number of ordinary shares directly beneficially owned | Percentage of the Company's issued share capital |
|------------------|---------------------|---|--|
| Mo Tianquan      | Corporate           | 70,178,249<br><i>(Note)</i>                           | 60.53  |

*Note:* These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Save as disclosed above, as at 30 September 2006, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2006 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND SHORT POSITIONS AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2006, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

### Long positions in ordinary shares of the Company

| <b>Name</b>               | <b>Capacity and Nature of interests</b> | <b>Number of ordinary shares owned</b> | <b>Percentage of the Company's issued share capital</b> |
|---------------------------|---|--|---|
| Upsky Enterprises Limited | Directly beneficially owned             | 70,178,249                             | 60.53   |

Save as disclosed above, as at 30 September 2006, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2006, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.