

CORPORATE GOVERNANCE PRACTICES

The Group is committed to building and maintaining high standards of corporate governance. The Group applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, with certain deviations mentioned below, throughout the review period.

Code provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors’ service are appropriate given that directors ought to be committed to representing the long term interests of the Company’s shareholders and the retirement and re-election requirements of non-executive directors have given the Company’s shareholders the right to approve continuation of non-executive directors’ offices.

Code provision B.1.1 provides that a listed company should establish a remuneration committee for the purpose of, among others, recommending to the board on such company’s policy and structure for remuneration of directors and senior management. The Company has not established a remuneration committee during the review period as the directors’ and senior management’s remuneration is not due for review during such period. To prepare for such review in the second half of 2005, the Company has recently established a remuneration committee in compliance with the code provision. Terms of reference of such committee have been posted on the Company’s website.

On 3rd August 2005, the Group set up the following board committees and adopted its own strict code on corporate governance:

- (a) Executive Committee;
- (b) Audit Committee (terms of reference of the audit committee adopted on 24th March 1999 were superseded by the new terms of reference adopted on 3rd August 2005);
- (c) Remuneration Committee;
- (d) Nomination Committee;
- (e) Finance Committee;
- (f) Regulatory Compliance Committee.

The Company's code on corporate governance contains the code provisions in the CG Code and other provisions, and has been posted on the Company's website.

Apart from the audit committee and remuneration committee required by the Listing Rules, the Group has established four additional board committees to ensure maintenance of a high corporate governance standard. Terms of reference of all board committees set up by the Group have been posted on the Group's website, as have (1) division of responsibilities between the Group's Chairman and Managing Director and (2) duties and powers delegated to the Group's Managing Director and matters reserved for decision of the board.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the Model Code for the six months period ended 30th June 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June 2005 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by Deloitte Touche Tohmatsu, whose independent review report is included in this interim report.

The 2005 interim results and this interim report have also been reviewed by the Audit Committee of the Company. Regular meetings have been held by the Committee since its establishment. The Committee meets at least twice a year.