

Corporate Governance Report

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board of Directors (“Board”) and various committees with designated functions. The below is a summary of the compliance by the Company as to the Code on Corporate Governance Practice (“the Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“HKEX”), which became effective from 1 January 2005.

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company | | | | | | | | | | | | | | | | | | |
|--|---|------------|--|-----------------------|--|----------------------------|--|-------------|-----|------------|-----|--------------|-----|--|--|------------|----|------------|----|------------|---|
| A.1.1 | <ul style="list-style-type: none"> At least four board meetings a year. | Yes | <ul style="list-style-type: none"> The Board met 5 times in 2005. Attendance records of the Directors in 2005: <table style="margin-left: 40px; width: 100%;"> <thead> <tr> <th colspan="2" style="text-align: right;">Attendance (%)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Li Guanghao</td> <td style="text-align: right;">100</td> </tr> <tr> <td>Li Zhaohui</td> <td style="text-align: right;">100</td> </tr> <tr> <td>Chen Baodong</td> <td style="text-align: right;">100</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>Lou Aidong</td> <td style="text-align: right;">20</td> </tr> <tr> <td>Wang Ligui</td> <td style="text-align: right;">20</td> </tr> <tr> <td>Lu Wennian</td> <td style="text-align: right;">0</td> </tr> </tbody> </table> | Attendance (%) | | Executive Directors | | Li Guanghao | 100 | Li Zhaohui | 100 | Chen Baodong | 100 | Independent Non-executive Directors | | Lou Aidong | 20 | Wang Ligui | 20 | Lu Wennian | 0 |
| Attendance (%) | | | | | | | | | | | | | | | | | | | | | |
| Executive Directors | | | | | | | | | | | | | | | | | | | | | |
| Li Guanghao | 100 | | | | | | | | | | | | | | | | | | | | |
| Li Zhaohui | 100 | | | | | | | | | | | | | | | | | | | | |
| Chen Baodong | 100 | | | | | | | | | | | | | | | | | | | | |
| Independent Non-executive Directors | | | | | | | | | | | | | | | | | | | | | |
| Lou Aidong | 20 | | | | | | | | | | | | | | | | | | | | |
| Wang Ligui | 20 | | | | | | | | | | | | | | | | | | | | |
| Lu Wennian | 0 | | | | | | | | | | | | | | | | | | | | |
| A.1.2 | <ul style="list-style-type: none"> Directors are given an opportunity to include matters in the agenda for regular board meetings. | Yes | <ul style="list-style-type: none"> Directors are consulted to include any matters in the agenda for regular Board meetings. | | | | | | | | | | | | | | | | | | |
| A.1.3 | <ul style="list-style-type: none"> Notice of at least 14 days should be given of a regular board meeting. | Yes | <ul style="list-style-type: none"> The Company normally gives notice and draft agenda of regular Board meetings at least 14 days in advance. | | | | | | | | | | | | | | | | | | |
| A.1.4 | <ul style="list-style-type: none"> Directors should have access to the advice and service of the Company secretary. | Yes | <ul style="list-style-type: none"> All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and all applicable rules and regulations are followed. | | | | | | | | | | | | | | | | | | |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|---|
| A.1.5 | <ul style="list-style-type: none"> Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary and open for inspection. | Yes | <ul style="list-style-type: none"> The Company Secretary is responsible for taking minutes of the Board and Audit Committee meetings. Another duly appointed secretary is responsible for taking minutes of Remuneration Committee meetings. All draft minutes are sent to Directors or committee members for review and comment within a reasonable time (generally within one month after each meeting) with the final version to be sent to Directors soonest thereafter. The minutes are made available for inspection by Directors or committee members at the Company's registered office. |
| A.1.6 | <ul style="list-style-type: none"> Draft and final versions of minutes are sent to all directors for comments within a reasonable time. | | |
| A.1.7 | <ul style="list-style-type: none"> Agreed Procedures for directors to seek independent professional advice at the issuer's expense. | Yes | <ul style="list-style-type: none"> Directors have free access to the legal counsel of the Company and if needed and upon request, Directors are allowed to seek independent professional advice at the Company's expenses. |
| A.1.8 | <ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, board meeting should be held. Such director must abstain from voting and not be counted in quorum. | Yes | <ul style="list-style-type: none"> The Company's Articles provide for voting and quorum requirements conforming with Code requirements. |

Corporate Governance Report (Continued)

A2 Chairman and Chief Executive Officer

Code Principle

There should be a clear division of responsibilities at the board level - separate offices of chairman and chief executive officer to ensure a balance of power and authority.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|---|
| A.2.1 | <ul style="list-style-type: none"> Roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive officer should be clearly established in writing. | No | <ul style="list-style-type: none"> Mr. Li Guanghao has currently taken up both the roles of chairman and chief executive officer in view of the existing Group structure and business operation. The directors will consider separating the roles to match with business expansion in future if appropriate. |
| A.2.2 | <ul style="list-style-type: none"> The chairman should ensure all directors be briefed on issues arising at board meetings. | Yes | <ul style="list-style-type: none"> The Chairman has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities through the issue of Board papers, etc. normally about one week in advance of the Board meeting. |
| A.2.3 | <ul style="list-style-type: none"> The chairman should be responsible for ensuring that directors receive adequate information in a timely manner. | | |

Corporate Governance Report (Continued)

A3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgment can effectively be exercised. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|---|
| A.3.1 | <ul style="list-style-type: none">Independent non-executive directors should be expressly identified in all corporate communications. | Yes | <ul style="list-style-type: none">Composition of the Board, by category of Directors, is disclosed in all corporate communications. |

Corporate Governance Report (Continued)

A.4 Appointments, Re-Election and Removal

Code Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. Resignation or removal of any director should be explained.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|----------------------------|--|
| A.4.1 | <ul style="list-style-type: none"> Non-executive directors should be appointed for a specific term, subject to re-election. | Partial Compliance | <ul style="list-style-type: none"> The independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting, as specified by the Company's articles of association. In the opinion of the directors, this meets the same objective of the code provision. |
| A.4.2 | <ul style="list-style-type: none"> All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. | Yes and Partial Compliance | <ul style="list-style-type: none"> Under the company's Articles, one-third of the directors other than the Chairman and the Managing Director, shall retire from office at the annual general meeting in every year but shall be eligible for re-election. Deviation: <ul style="list-style-type: none"> Under the Company's existing-Articles, new Directors (including those appointed to fill a casual vacancy or as an addition to the board) are required to submit themselves for re-election at the first annual general meeting following their appointments. In order to ensure full compliance with the Code Provision, the Company intends to amend its Articles in the forthcoming annual general meeting which requires that any Director appointed by the Board to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after such Director's appointment. |

Corporate Governance Report (Continued)

A.5 Responsibilities of Directors

Code Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|--|
| A.5.1 | <ul style="list-style-type: none"> Every newly appointed director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common laws, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. | Yes | <ul style="list-style-type: none"> On appointment, new Directors are given a comprehensive briefing and related materials of the Group's business activities, induction into their responsibilities and duties, and other regulatory requirements. All Directors, including non-executive Directors, are regularly provided with comprehensive reports on The management's strategic plans, updates on lines of business, financial information, etc. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements. |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|--|
| A.5.2 | <ul style="list-style-type: none"> • Functions of non-executive directors should include: <ul style="list-style-type: none"> – bring an independent judgment at the board meeting; – take the lead where potential conflicts of interests arise; – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance. | Yes | <ul style="list-style-type: none"> • Non-executive Directors are well aware of their functions and have been actively performing their functions. On an on-going basis, Directors review with management in respect of the Group's strategic development and direction and emerging risks and opportunities available to the Group. • There has been satisfactory attendance for Board and Board committee meetings in 2005. |
| A.5.3 | <ul style="list-style-type: none"> • Directors should ensure that they can give sufficient time and attention to the affairs of the issuer. | | |
| A.5.4 | <ul style="list-style-type: none"> • Directors must comply with their obligations under the Model Code set out in Appendix 10. | Yes | <ul style="list-style-type: none"> • The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction. |

Corporate Governance Report (Continued)

A6 Supply of and Access to Information

Code Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Governance Procedures of the Company against the Code Provisions

The monthly management accounts are provided to the executive members of the Board by the Management. Board papers are sent to the Directors about one week before each Board meeting.

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|--|
| A.6.1 | <ul style="list-style-type: none"> An agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting. | Yes | <ul style="list-style-type: none"> An agenda and accompanying Board papers are sent to Directors about one week before the date of Board/ committee meeting. |
| A.6.2 | <ul style="list-style-type: none"> Management has an obligation to supply the board and its committees with adequate information in a timely manner. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. The board and each director should have separate and independent access to the issuer's senior management. | Yes | <ul style="list-style-type: none"> Senior management are from time to time brought into formal and informal contact with the Board at Board meetings and other events. Relevant information is being given to the Board upon request. |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|---|
| A.6.3 | <ul style="list-style-type: none"> Directors are entitled to have access to board papers and related materials. Steps must be taken to respond as promptly and fully as possible to director queries. | Yes | <ul style="list-style-type: none"> Board papers and minutes are made available for inspection by Directors and Committee members. Senior management of the Company has taken appropriate steps to respond promptly and fully to any queries raised by Directors. |

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The Level and Make-up of Remuneration and Disclosure

Code Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors should be established. No director should be involved in deciding his own remuneration.

Governance Procedures of the Company against the Code Provisions

The Board has established Remuneration Committee to make recommendation on the Company's remuneration policy and structure for all remuneration of Directors and senior management. No Director and senior management can determine his own remuneration.

In 2005, the Remuneration Committee met once and attendance of individual member at Remuneration Committee meeting in the year is summarised below:

| Committee members | Attendance (%) |
|-------------------|----------------|
| Mr Wang Ligui | 100 |
| Mr Lu Wennian | 100 |
| Mr Li Guanghao | 100 |

Details of each Director's remuneration for the year under review are set out on page 64 of this Annual Report.

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|---------------------|--|------------|--|
| B.1.1 | <ul style="list-style-type: none"> • Issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors. | Yes | <ul style="list-style-type: none"> • The company established the Remuneration Committee in 2005. Members of the Committee are: Executive Director: Li Guanghao Independent Non-executive Directors: Wang Ligui Lu Wennian • Each Committee member is given a copy of the full terms of reference. |
| B.1.2 | <ul style="list-style-type: none"> • Terms of reference of remuneration committee should include, as a minimum, certain specific duties as set out in Code Provision B.1.3 of Appendix 14 to the Listing Rules. | | |
| B.1.3 | <ul style="list-style-type: none"> • The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. | | |
| B.1.4 & B.1.5 | <ul style="list-style-type: none"> • The remuneration committee should consult the Chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary. | Yes | <ul style="list-style-type: none"> • Meetings have been held between the Committee Chairman and the Board Chairman and/or Chief Executive Officer to discuss the various matters concerning the remuneration and related policy of Executive Directors and senior management. |

Corporate Governance Report (Continued)

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Governance.Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|--|
| C.1.1 | <ul style="list-style-type: none"> Management to provide explanation and information to the board as to enable the board to make an informed assessment of the financial and other information put before the board for approval. | Yes | <ul style="list-style-type: none"> Board paper with full details and explanation is provided to the Directors in advance, enabling them to make informed assessment of the underlying transaction which is subject to the Board's approval. |
| C.1.2 | <ul style="list-style-type: none"> Directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts; a statement by the auditors regarding reporting responsibilities in auditors' report. | Yes | <ul style="list-style-type: none"> A statement of director responsibilities for Financial Statements is set out in this Annual Report. The Auditors' Report states auditors' reporting responsibilities. |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|---|
| C.1.3 | <ul style="list-style-type: none"> The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, price-sensitive announcements, other price sensitive announcements and other financial disclosure required under the Listing Rules and statutory requirements. | Yes | <ul style="list-style-type: none"> The Board aims to present a comprehensive, balanced, clear and understandable assessment of the Group's position and prospects in all shareholder communications. |

C.2 Internal Controls

Code Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|--|
| C.2.1 | <ul style="list-style-type: none"> The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries. | Yes | <ul style="list-style-type: none"> The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. Management regularly reviews the effectiveness of the risk management and system of internal controls and compliance with best practices. |

Corporate Governance Report (Continued)

C.3 Audit Committee

Code Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

Governance Procedures of the Company against the Code Provisions

The Board has established the Audit Committee to investigate any activity within its terms of reference and make recommendation to the Board for any necessary improvement.

The members of Audit Committee include three independent non-executive Directors, namely, Ms Lou Aidong, Mr. Wang Ligui and Mr. Lu Wennian.

The chairman of Audit Committee reports the findings and recommendations to the Board after each meeting. The Committee met three times during this year under review.

The details of Audit committee members' attendance in 2005 are as follows:

| Committee members | Attendance (%) |
|--------------------------|-----------------------|
| Mr Wang Ligui | 100 |
| Mr Lu Wennian | 0 |
| Ms Lou Aidong | 100 |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|--|
| C.3.1 | <ul style="list-style-type: none"> Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of audit committee meetings should be sent to all members of the committee for their comment and records respectively within a reasonable time after the meeting. | Yes | <ul style="list-style-type: none"> The Company Secretary is also the secretary of the Audit Committee who keeps full minutes of all Audit Committee meetings. Draft version of minutes is sent to Audit Committee members for comment normally within one month from the date of the meeting. Final version of minutes is sent to the Audit Committee members for their records as soon as the related draft is finalised. |
| C.3.2 | <ul style="list-style-type: none"> A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee. | Yes | <ul style="list-style-type: none"> None of the three Audit Committee members is a former partner of the Company's existing external auditors. |
| C.3.3 | <ul style="list-style-type: none"> The terms of reference of the audit committee should include at least the certain duties as prescribed in Code Provision C.3.3 of Appendix 14 to the Listing Rules. | Yes | <ul style="list-style-type: none"> A copy of terms of reference is given to each member of the Audit Committee. |
| C.3.4 | <ul style="list-style-type: none"> The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. | Yes | <ul style="list-style-type: none"> Similar to the Code requirement. |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|--|
| C.3.5 | <ul style="list-style-type: none"> Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view. | Yes | <ul style="list-style-type: none"> Since the establishment of Audit Committee in 2005, there had not been any disagreement between the Audit Committee and the Board in respect of the selection, appointment, resignation or dismissal of the external auditors. |
| C.3.6 | <ul style="list-style-type: none"> The audit committee should be provided with sufficient resources to discharge its duties. | Yes | <ul style="list-style-type: none"> Sufficient resources, including obtaining outside professional advice or assistance, are provided to the Audit Committee. |

Corporate Governance Report (Continued)

D DELEGATION BY THE BOARD

D.1 Management Functions

Code Principle

The issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Governance Procedures of the Company against the Code Provisions

Certain matters are specifically reserved to the Board for decision under the Company's internal guidelines and financial authority limits structure. Board approval is specifically required for material transactions such as acquisitions and disposals of assets of the Group. The management is generally responsible for the implementation of daily operations subject to the Board's decision generally or specifically.

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|---|
| D.1.1 | <ul style="list-style-type: none"> When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board. | Yes | <ul style="list-style-type: none"> Internal guidelines have been formulated in respect to those matters reserved for the Board and functions or authorities delegated to management. |
| D.1.2 | <ul style="list-style-type: none"> An issuer should formalise the functions reserved to the board and those delegated to management. | | |

Corporate Governance Report (Continued)

D.2 Board Committees

Code Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|------------|--|
| D.2.1 | <ul style="list-style-type: none"> Board should prescribe sufficiently clear terms of reference to enable proper discharge of committee functions. | Yes | <ul style="list-style-type: none"> The Board has established the Audit Committee and Remuneration Committee with specific terms of reference. |
| D.2.2 | <ul style="list-style-type: none"> The terms of reference should require committees to report their decisions to the board. | Yes | <ul style="list-style-type: none"> Board Committees report to the Board their work and findings they have performed during the period in each Board meeting. Minutes of each Committee meeting are also circulated to the Directors for their information. |

Corporate Governance Report (Continued)

E COMMUNICATION WITH SHAREHOLDERS

E.1 Effective Communication

Code Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|------------|---|
| E.1.1 | <ul style="list-style-type: none"> In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. | Yes | <ul style="list-style-type: none"> Separate resolutions are proposed on each substantially separate issue at general meetings. |
| E.1.2 | <ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting and arrange of the chairman of board committee or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Chairman of independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. | Yes | <ul style="list-style-type: none"> The Board Chairman and each chairman of the Audit Committee and Remuneration Committee will be attending the forthcoming annual general meeting of the Company. |

Corporate Governance Report (Continued)

E.2 Voting by Poll

Code Principle

The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirement about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Governance Procedures of the Company against the Code Provisions

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|--|--------------------|--|
| E.2.1 | <ul style="list-style-type: none"> Disclosure in general meeting circulars of procedures and rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in rule 13.39(4). In particular, pursuant to rule 13.39(3), chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. | Partial Compliance | <ul style="list-style-type: none"> Procedures for demanding a poll were set out in the circular accompanying the notice of 2005 annual general meeting. These procedures were also explained during the 2005 annual general meeting. The Share Registrar was appointed as scrutineer at the 2005 annual general meeting. Poll results were published in major Hong Kong newspapers on the business day following the meeting and posted on the websites of HKEx. Deviation: <ul style="list-style-type: none"> — According to the existing Articles of the Company, a poll may be demanded: <ol style="list-style-type: none"> by the chairman of the meeting; or by at least five members present in person or by proxy for the time being entitled to vote at the meeting; or |

Corporate Governance Report (Continued)

| Code ref. | Code Provisions | Compliance | Governance Procedures of the Company |
|-----------|---|-------------------------------|--|
| E.2.2 | <ul style="list-style-type: none"> The issuer should ensure that votes cast are properly counted and recorded. | Yes/ Partial compliance | <p>(c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or</p> <p>(d) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.</p> <p>– Under the existing Articles, no provision has been provided for allowing Directors holding proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting to demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. The Company intends to amend its Articles to be in line with this Code Provision in the forthcoming annual general meeting.</p> |
| E.2.3 | <ul style="list-style-type: none"> Chairman of meeting should adequately explain the poll procedures at commencement of meeting. | | |