

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2005, except that the roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals and the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, the Non-Executive Directors and the Independent Non-Executive Directors were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company. At the annual general meeting of the Company held on 16th June, 2005, all those Directors who had been in office for three years or more retired and were re-elected at that meeting.

In compliance with the requirement in the CG Code in respect of the establishment of an audit committee, the Company has formed an Audit Committee. The Audit Committee currently comprises Mr. Wong Chi Keung (Chairman of the Committee), Mr. Ng Siu Chan and Hon Abraham Shek Lai Him, JP, all of whom are Independent Non-Executive Directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2005.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the six months ended 30th June, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2005.

