



Corporate Governance Report

The Company is committed to establishing and fulfilling a good corporate governance practices and procedures, by ensuring a quality Board, sound internal control, and transparency and accountability to all shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year, the Company complied with the Code on Corporate Governance Practices (“Code on CG”) as set out in Appendix 14 of the Listing Rules. Accordingly, the Company has applied the principles and complied with all code provisions and to certain extent of the recommended best practices of the Code on CG, save for the few exceptions specified as deviation.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code during the year.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for the oversight the Group’s business management, strategic decisions, performance and affairs with the objective of enhancing shareholders interest. The Board delegated certain authority and responsibility to the management of the Group. In addition, the Board has also delegated various responsibilities to several committees.

The Board comprises 5 Executive Directors (“EDs”) and 3 Independent Non-executive Directors (“INEDs”) whose biographical details are set out on pages 12 and 13. All the INEDs have appropriate professional qualifications, or accounting or related financial management experience.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition ensuring a strong independence exists across the Board and has met the recommended practice under the Code on CG for the Board to have at least 1/3 in number of its members comprising INEDs.

The Company has received from each of the INEDs, the written confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers all the INEDs are independent.

Except the Chairman, all Directors are subject to retirement by rotation once every three years in accordance with the Company’s Articles of Association and the Code of CG. The Chairman is not subject to rotation accordance with the Company’s Articles of association is now willing to take the abovementioned rotation voluntary.



Corporate Governance Report

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. Its members have full access to relevant information both at the meetings and at regular intervals. Apart from regular Board meetings, the Chairman shall hold meetings with the INEDs without the presence of EDs at least once every year.

During the year, the Board held 25 meetings (including 10 Board written resolutions resolved by all Directors). The attendance of the Directors at the meetings is set out as follows:

Executive Directors	Attendance
Tao Lung (<i>Chairman</i>)	25/25
Huang Jianming (<i>Chief Executive Officer</i>)	19/25 (appoint representative: 1)
Shen Songqing	19/25 (appoint representative: 4)
Liu James Jin	22/25
Xu Xiaofan	21/25
Jin Wei (resigned on 18/1/2006)	23/25
Independence Non-executive Directors	
Lui Ting Nang	25/25
Lee Kwong Yiu	20/25
Lo Wa Kei Roy	24/25

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary.

Board minutes are kept by the Company Secretary of the Company and are circular to the Directors and are open for inspection by the Directors.

The Company Secretary of the Company shall provide professional advice and information to the Directors. In addition, the directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

Each newly appointed Directors is provided with a package of orientation materials setting out the duties and responsibilities of Directors under Listing Rules, related ordinance and relevant regulatory requirements of Hong Kong.



Appropriate insurance cover has been arranged in respect of legal action arising from the business of the Group against its directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

The position of the Chairman and CEO are held by separate individuals to maintaining and preserve independence and an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

The CEO is responsible for the business directions and operational decisions of the management and performance of the Group. The CEO together with the other EDs and management team, is responsible for the implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee in 30 June 2005 and comprises 2 EDs and 3 INEDs.

The principle responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of executive directors and senior management and reviewing the specific remuneration packages of all EDs and senior management by references of the corporate goals and objectives resolved by the Board from time to time. The detail terms of reference of the Remuneration Committee are posted on the Company’s website.

The Remuneration Committee meets regularly to review human resource issues, including group-wide remuneration policies. The emoluments of Directors are based on the working experience, skill, knowledge and involvement in the Company’s affairs of each Director and are determined by reference to the Company’s performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration of the Directors and the 5 highest paid individuals are set out in note 13 to the account.



Corporate Governance Report

During the year, the Remuneration Committee held 2 meetings. The attendance of each member at the committee meetings is set out as follows:

	Attendance
Executive Directors	
Tao Lung	2/2
Xu Xiaofan	2/2
Independence Non-executive Directors	
Lui Ting Nang	2/2
Lee Kwong Yiu (<i>Chairman of the Remuneration Committee</i>)	2/2
Lo Wa Kei Roy	2/2

AUDIT COMMITTEE

The Company established its Audit Committee in 26 January 2002 and comprises 3 INEDs with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). The Company Secretary and the Qualified Accountant shall attend all Audit Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary.

The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, to provide an accuracy, fairness and completeness of the Company's financial statement. The committee also responds to review the Group's financial information and review of the relationship with the Auditors of the Company.

The 2005 quarterly report and accounts, interim report and accounts and annual report and accounts of the Group have been reviewed by the Audit Committee.



During the year, the Audit Committee held 5 meetings. The attendance of each member at the committee meetings is set out as follows:

Independence Non-executive Directors	Attendance
Lui Ting Nang (<i>Chairman of the Audit Committee</i>)	5/5
Lee Kwong Yiu	5/5
Lo Wa Kei Roy	4/5

INTERNAL CONTROL

The Board is reasonable for maintaining sound and effective internal control system of the Group which has been designed to allow the Board to monitor the Group's overall financial, operational risk management and compliance controls and management function on continuing basis. The Audit Committee takes up the internal control function and the CEO will periodically present the updated long term strategies and objective of the Group and the coming year budget summary at the Board meeting for discussion and/or approval.

EXTERNAL AUDITORS

It is important to the Group that the independence of its external auditors is not compromised. Therefore, all the contracts for substantial non-audit work to be awarded to the external auditors must be pre-approved by the Audit Committee and the Board. The scope of work determined to provide only efficiencies of scale and added value, with no adverse effect on actual or perceived independence of the audit work itself.

Messrs. Ho and Ho & Company, Certified Public Accountants, the Auditors of the Company received approximately HK\$950,000 for audit services and approximately HK\$141,000 for non-audit services, such as special audit and other advisory services for the year ended 31 December 2005.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company established different communication channels with its shareholders and investors. The annual general meeting of the Company ("AGM") is the principal occasion at which the Chairman and Directors may interface directly with the shareholders to provide a forum for shareholders to raise comments and exchange views with the Board. All the shareholders can receive corporate information by printed copies of corporate communication. Apart from the above, updated and key information of the Group are available on the website of the Company. During the year, enquiries from shareholders are handled by the EDs and the Company Secretary.

All the shareholders have at least 21 days formal notice of the AGM. In respect of each substantially separate issue at a general meeting, a separate resolution has been proposed by the Chairman of that meeting. All resolutions tabled at the general meeting can be voted by poll demanded by shareholder, the detail procedures for voting by poll and the rights of shareholders to demand a poll are set out in the circulars convening a general meeting.