

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) through the adoption of relevant practices and procedure during the year ended 31 December 2005 with the exception that the Non-executive Directors are not appointed for a specific term, the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting of the Company instead of the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the “Board”) of the Company is composed of 9 Directors, including the Chairman who is an Executive Director, 3 additional Executive Directors, 3 Independent Non-executive Directors and 2 Non-executive Directors, one-third of the Board is Independent Non-executive Directors and a majority of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biography and relevant relationships amongst them are set out in the Biographical Details of Directors Section on pages 9 to 10 of this Annual Report.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the “Group”). Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 and Appendix 16 (12B) of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company still considers the Independent Non-executive Directors to be independent.

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A formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, his devotion of time and conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board meets once with a majority of Directors present. According to the Articles of Association of the Company, one-third, and not exceeding one-third of the Directors are subject to re-election. Non-executive Directors are not appointed for a specific term. These deviate from the CG Code in which it states that all Non-executive Directors must be appointed for a specific term and all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, all Non-executive Directors have agreed to limit their term to comply with the CG Code. Moreover, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully 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. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising of all of the Executive Directors. They report periodically to the Board their work and business decisions.

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The Board meets regularly and held four meetings in 2005:

	Attendance
<i>Executive Directors</i>	
Ng Hung Sang (<i>Chairman</i>)	4/4
Richard Howard Gorges	4/4
Cheung Choi Ngor	4/4
Ng Yuk Fung, Peter	3/4
<i>Non-executive Directors</i>	
David Michael Norman	3/4
Ng Yuk Mui, Jessica (redesignated from Executive Director to Non-executive Director on 1 July 2005)	3/4
<i>Independent Non-executive Directors</i>	
David John Blackett	2/4
Wong Siu Yin, Elizabeth	4/4
Cheng Hong Kei	4/4

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules for Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2005.

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 26.

AUDITORS' REMUNERATION

For the year ended 31 December 2005, the Auditors of the Company will receive approximately HK\$3.3 million for audit service. No non-audit service was provided by the Auditors in 2005.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 21 April 2005 and comprises four Non-executive Directors, out of which 3 of them are Independent Non-executive Directors. The Committee members are Ms. Wong Siu Yin, Elizabeth (Committee Chairman), Mr. Cheng Hong Kei, Mr. David John Blackett and Mr. David Michael Norman. The Committee met once in 2005 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises four Non-executive Directors, out of which 3 of them are Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett, Ms. Wong Siu Yin, Elizabeth and Mr. David Michael Norman. The Audit Committee met twice in 2005 with a 100% attendance rate by all of the Audit Committee Members. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, participation in the discussion of change of Auditors and review of their independence, review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the audit fees, process and has recommended to the Board the re-appointment of Auditors in 2006 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2005 were reviewed by the Audit Committee.