



CORPORATE GOVERNANCE

The Company places a lot of emphasis of corporate governance, and reviews and strengthens its corporate governance measures from time to time.

During the year of 2004, the Company continued to comply with the Code of Best Practices as set out in Appendix 14 of the Listing Rules being published by the Stock Exchange of Hong Kong Limited. The Code of Best Practices was replaced by Code of Corporate Governance Practices from 1st January, 2005. The Company has adopted the new Code and will strictly comply with the provisions of the new Code.

The Board of Directors

There are six Directors, including three Executive Directors, who are Mr. Leung Siu Fai, Mr. Kam Hung Chung and Mr. Wang Jin Yuan, and three Independent Non-Executive Directors, who are Mr. Chan Kwok Wai, Mr. Chen Da Cheng and Mr. You Guang Wu. The Directors are responsible for the overall development direction of the Group, formulation of major decisions, approval of major agreements and matters. The Chairman and the Managing Director are responsible for their own duties. The Executive Directors are responsible for the daily operations of the Company, and report regularly to the Directors.

The term of the Independent Non-Executive Directors is two years. They are independent of the shareholders of the Company, are not engaged in any managerial position of the Company, satisfied regulatory provisions as to independence, and are experienced in accounting or legal aspects.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing the dealing of securities by the Directors and the relevant employees.

The Audit Committee and the Remuneration Committee is currently established under the Board of Directors.



CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The Audit Committee of the Company is made up of three Independent Non-Executive Directors, with Mr. Chan Kwok Wai as the chairman of the Audit Committee. The Audit Committee is directly responsible to the Directors, which reviews the financial statements and internal controls within the scope of audit.

The Audit Committee meets twice a year with the Company's external auditors, so as to discuss the audit procedures and accounting matters, and review the results of internal controls.

Remuneration Committee

The Remuneration Committee of the Company, established on 28th January, 2005, was made up of two Executive Directors, namely Mr. Leung Siu Fai and Mr. Kam Hung Chung, and three Independent Non-Executive Directors, Mr. Chan Kwok Wai, Mr. Chen Da Cheng and Mr. You Guang Wu. Mr. You Guang Wu is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are to review the remuneration policies of the directors and senior management of the Company, to determine the remuneration packages of the Executive Directors and Senior Management, including benefit in kind, pension and indemnities.