

Corporate Governance Report

In the opinion of the Directors, the Company has complied with the code provision set out in the Code on Corporate Governance Practice (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on Stock Exchange of Hong Kong Limited (“Listing Rules”) since 30 November 2005 (its listing date) up until 31 December 2005, save for the code provision on internal controls, which are to be implemented for accounting periods on or after 1 July 2005 pursuant to the CG Code.

Board of Directors

The Board comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Directors shall retire from office at every annual general meeting and all Directors (including Non-executive Directors) are subject to retirement by rotation once every three year in accordance with the Company’s Articles of Association and the CG Code.

The Directors’ biographical information is set out in the “Biographies of Directors and Senior Management” section on pages 23 to 24.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, assisted by the Chief Executive Officer, is responsible for the overall operations of the Group and the implementation of the Board’s strategies and policies.

Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director and the Chief Executive Officer.

Frequency of Meetings and Attendance

Board meetings will be held at least four times a year with additional meetings convened as and when necessary to determine overall strategic directions and objectives and approve interim and annual results and other significant matters.

Two Board meetings were held on 9 November 2005 and 23 February 2006. All of the Directors attended the meetings.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). The Directors have complied with the standards set out in the Model Code from the period 30 November 2005 up until 31 December 2005.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors independent.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 47.

Auditors' Remuneration

For the year ended 31 December 2005, the auditors of the Company received approximately HK\$3.4 million for audit services.

Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 9 November 2005 in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr Fong Ching, Eddy (Chairman of the Audit Committee), Mr Studer Werner Josef and Mr Ko Tak Fai, Desmond.

The principal duties of the Audit Committee include the review and supervision of the Group's statutory audits, interim and annual accounts of the Group and internal control procedures.

The Audit Committee shall meet at least twice a year and the Chief Financial Officer, Chief Internal Auditor, In-House Counsel, the Compliance Officer and a representative of the external auditors of the Company shall normally be invited to attend the meetings. The Company Secretary or his/her nominee shall be the secretary of the Audit Committee.

After the listing of the Company's shares on the Stock Exchange on 30 November 2005, there was one meeting held by the Audit Committee on 23 February 2006 with an attendance rate of 100%. The Audit Committee reviewed the Group's results for the year 2005.

Remuneration Committee

Pursuant to the requirements of the CG Code, the Company has set up a Remuneration Committee consisting of three members, one of whom is an Executive Director, namely Mr Cheng Yoong Chong, and the other two members were selected by the Board from amongst its Independent Non-executive Directors, namely, Mr Fong Ching, Eddy and Mr Ko Tak Fai, Desmond.

The Remuneration Committee is responsible to review and develop the Group's policy on remuneration for its Directors (including Executive Directors) so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration.

The Remuneration Committee shall meet at least once a year and at such other times as its chairman shall require. No meeting was held by the Remuneration Committee after the listing of the Company's shares on the Stock Exchange on 30 November 2005.