

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

## CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 January 2005.

During the year ended 31 December 2005, the Company was in compliance with the code provisions set out in the CG Code except for the following:

Code provision A.4.2 of the CG Code requires every director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To ensure compliance with the CG Code, the Board proposes necessary amendments to the Articles of Association to bring the constitution of the Company in alignment with the above code provision at the annual general meeting of the Company to be held on 11 May 2006. A special resolution will be proposed to amend the Articles of Association so that (i) any Director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders at the Company's first general meeting after their appointment, and (ii) every Director shall be subject to retirement by rotation at least once every three years and Directors holding office as the Chairman or Vice Chairman of the Board or the Managing Director or joint Managing Director shall also be subject to retirement by rotation.

Due to the difficulties encountered by the Company in arranging meeting of all Directors for the year under review, only three Board meetings were held. In view of the above and in order to comply with the code provision A.1.1 of the CG Code, the Company planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order that the Directors could plan in advance their availability.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this report, the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively. The Board considered this has the advantages of allowing contributions from all executive Directors with different expertise.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2005.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of eight Directors including four executive Directors, one non-executive Director and three independent non-executive Directors:

### *Executive Directors*

Mr. HO Ming-Shiann (*Chairman*)

Mr. TSAO Ming-Hong (*Vice Chairman*)

Mr. GUU Heng-Chang (also known as Stanley Guu)

Mr. WU Cheng-Tao

### *Non-executive Director*

Mr. Christian Odgaard PEDERSEN

### *Independent non-executive Directors*

Mr. WONG Tin Yau, Kelvin

Mrs. CHIU LIN Mei-Yu (also known as Mary Lin Chiu)

Mr. HSU Shan-Ko

Mr. WU Cheng-Tao is Mr. HO Ming-Shiann's son-in-law. Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 23 to 24 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

## Corporate Governance Report

### *Chairman and Chief Executive Officer*

Up to the date of this report, the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively. The Board considered this has the advantages of allowing contributions from all executive Directors with different expertise.

### *Non-executive Directors*

The non-executive Director and the three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, financial management, securities investment and consultancy. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The non-executive Directors and the three independent non-executive Directors are appointed for a term of two years and are subject to retirement by rotation in accordance with the Articles of Association.

### *Board Meetings*

During the financial year ended 31 December 2005, the Board held 3 meetings.

<b>Name of Director</b>	<b>Number of attendance</b>
HO Ming-Shiann	3/3
TSAO Ming-Hong	3/3
GUU Heng-Chang	3/3
WU Cheng-Tao	3/3
Christian Odgaard PEDERSEN	1/3
WONG Tin Yau, Kelvin	3/3
CHIU Lin Mei-Yu	3/3
HSU Shan-Ko	1/3

Due to the fact that the Company encountered difficulties in arranging meetings of all Directors for the year under review. Only three Board meetings were held.

In view of the difficulties, the Company planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order to make sure all Directors could plan in advance their availability to attend the scheduled Board meetings. Additional meetings will be held as and when required.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

## AUDIT COMMITTEE

The Company established an Audit Committee (the “Audit Committee”) on 8 December 2004. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. WONG Tin-Yau (as chairman), Mrs. CHIU LIN Mei-Yu and Mr. HSU Shan-Ko.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and overseeing the Company’s financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least four times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports. The Audit Committee noted the existing internal control policies of the Group and also noted that review of the same will be carried out and anticipate there may have further improvement to the said policies.

During the financial year ended 31 December 2005, the Audit Committee held 4 meetings.

<b>Name of member</b>	<b>Number of attendance</b>
WONG Tin Yau, Kelvin	4/4
CHIU LIN Mei-Yu	3/4
HSU Shan-Ko	4/4

## NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the metals casting industry and/or other professional area.

Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

## REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the “Remuneration Committee”) on 8 December 2004 and consists of two independent non-executive Directors, namely Mrs. CHIU LIN Mei-Yu (as chairman) and Mr. HSU Shan-Ko, and one executive Director, namely Mr. HO Ming-Shiann.

The functions of the Remuneration Committee are to review human resource management policies, determine the compensation and benefit plans of senior executives, as well as setting performance goals for senior executives.

During the financial year ended 31 December 2005, the Remuneration Committee held one meeting with all members present at the meeting. The Remuneration Committee reviewed the remuneration package of the Directors and senior executives for year 2005 and discussed the proposals for their remuneration package for 2006 by reference to the prevailing market conditions, the business development of the Group as well as the performance of individual Directors and senior executives.

The Company has adopted a share option scheme on 8 December 2004. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under the service agreements, if any, and as recommended by the Remuneration Committee. Details of the Directors’ remuneration are set out in note 8 to the financial statements.

## AUDITORS’ REMUNERATION

During the year under review, the remuneration paid/payable to the Company’s auditors, KPMG, is set out below:

<b>Services rendered</b>	<b>Fee paid/payable</b> <i>HK\$’000</i>
Audit services	1,750
Non-audit services	0
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	<b>1,750</b>
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## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2005, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.