



The Company's corporate governance practices are based on the principles ("Principles") and code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with most of the Code Provisions save for the following:—

1. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Clause 87 (1) of the Company's Bye-Laws.
2. There is no separation of the role of the Chairman and the Chief Executive Officer ("CEO"). Mr. Michele Matsuda is currently the Chairman and CEO of the Company. The Board believes that vesting both roles to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development of the Group.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:—

THE BOARD

Responsibilities

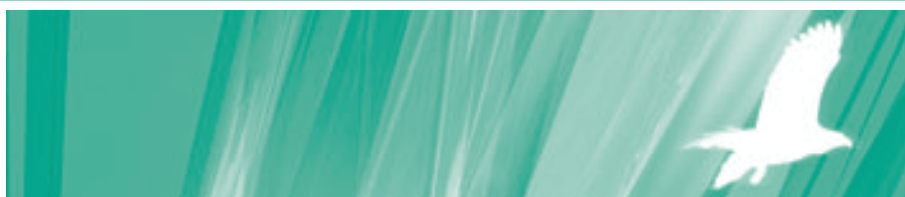
The day-to-day operations of the Company are delegated to the management by Divisions while the Board reserves for its decision all major matters of the Company, including substantial investments, with enhancing shareholder interests as focus.

All directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary and independent professionals to ensure Board procedures and all applicable rules and regulations are followed.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31 December 2005, the Board comprised seven members, of which four were Executive Directors and three were Independent Non-Executive Directors. Biographical details of the directors are set out on pages 18 to 19 (except Mr. Daijiro Nishihama who resigned as Executive Director on 21 March 2006).



THE BOARD *(continued)*

Composition *(continued)*

During the year ended 31 December 2005, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Nomination and Appointment of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Executive and Independent Non-Executive Directors and assessing the independence of Independent Non-Executive Directors.

Board Meetings

Number of Meetings and Directors' Attendance

Four Board meetings were held during the year.

The individual attendance (either in person or through other electronic means of communication) record of each director at the meetings of the Board, the Remuneration Committee and the Audit Committee during the year ended 31 December 2005 is set out below:–

Directors/Members of Committees	Attendance/Number of Meetings		
	Board	Remuneration Committee	Audit Committee
<i>Executive Directors</i>			
Mr. Michele Matsuda (Chairman of the Board)	4/4	N/A	N/A
Mr. Leung To Kwong, Valiant	4/4	N/A	N/A
Mr. Cheung Chi Fai, Frank	4/4	N/A	N/A
Mr. Daijiro Nishihama*	3/4	N/A	N/A



THE BOARD *(continued)*

Board Meetings *(continued)*

Number of Meetings and Directors' Attendance (continued)

Directors/Members of Committees	Attendance / Number of Meetings		
	Board	Remuneration Committee	Audit Committee
<i>Independent Non-Executive Directors[#]</i>			
Mr. Zhou Ji, Jason (Chairman of Remuneration Committee and Audit Committee)	4/4	2/2	2/2
Mr. Keijiro Hasegawa	2/4	1/2	2/2
Prof. Chen Tien-yiu, Theodore	4/4	2/2	2/2
<i>Chief Financial Officer</i>			
Mr. Kwok Ka Yiu	N/A	2/2	N/A

* Mr. Daijiro Nishihama joined the Group on 16 June 2005 and resigned on 21 March 2006.

Mr. Wong Tak Shing joined the Group as an Independent Non-Executive Director on 1 April 2006.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

Remuneration Committee

The Remuneration Committee comprises the three Independent Non-Executive Directors and the Chief Financial Officer of the Company, with Mr. Zhou Ji, Jason as Chairman of the Committee.

The main duties of the Remuneration Committee include:–

- (a) To recommend to the Board the remuneration policy and the establishment of a formal procedure for administering such policy.
- (b) To consult the Chairman and/or CEO in respect of the remuneration proposals for other Executive Directors and, if deemed necessary, to seek external professional advice.



BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

- (c) To consider market forces and compare remuneration packages of Executive Directors of similar companies in comparable industries both in Hong Kong and overseas.
- (d) To determine the remuneration package, entailing benefits in kind and pension rights, of individual Executive Director (including the Chairman) and senior management.
- (e) To make recommendations to the Board on the remuneration of Non-Executive Directors on applicable contractual terms.
- (f) To review and approve any payment or compensation commitment to be made to an Executive Director and senior management on termination of his contract.
- (g) To review and approve any performance related remuneration schemes with reference to corporate goals and objectives decided by the Board from time to time.

In 2005, the Remuneration Committee determined the Remuneration and Reward Policy that applies to the Group's Executive Directors, Non-Executive Directors, members of the senior management, division heads, other executives and general staff.

Audit Committee

The Audit Committee comprises the three Independent Non-Executive Directors with Mr. Zhou Ji, Jason as Chairman of the Committee.

The main duties of the Audit Committee include:-

- (a) To consider the appointment of the external auditor and any questions in relation to its resignation or dismissal.
- (b) To discuss with the external auditor the nature and scope of the audit.
- (c) To review the half-year and annual financial statements before submission to the Board.
- (d) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss.



BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

- (e) To review the external auditors' management letter and management's response.
- (f) To review the Company's statement on internal control systems prior to endorsement by the Board.
- (g) To review the internal audit function, and ensure coordination with external auditors, and ensure the internal audit function has adequate resources and appropriate standing within the company.
- (h) To consider the major findings of internal investigations and management's response.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company for audit and non-audit services for the year ended 31 December 2005 amounted to HK\$642,000 and HK\$261,000 respectively.

During the year under review, Deloitte Touche Tohmatsu ("Deloitte") resigned as auditors of the Company as the Company and Deloitte could not reach an agreement on the audit fees for the financial year ended 31 December 2005. The Company subsequently appointed Howarth Hong Kong CPA Limited as its external auditors with effect from 9 November 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

To the specific enquiry by the Company, all directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2005.