

Corporate Governance Report

The Board of Directors (the "Board") recognises the importance of and is committed to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders.

The Company has complied with 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") during the year, save for deviations from Codes A.4.1 and B.1.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors' Securities Transactions.

BOARD OF DIRECTORS

The composition of the Board is set out on page 11 of this Annual Report.

To the best knowledge of the Company, there is no financial, business and family relationship among the Board as at 31 December 2005.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the first general meeting after their appointment and shall be eligible for re-election.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Company's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements.

The Board held 4 meetings during the 2005 financial year. Attendance of individual Directors at Board meeting was as follow:

Name of directors	Attendance
Mr. Xiang Xin	4/4
Mr. Ng Kwong Chu, Paul	4/4
Mr. Chan Cheong Yee	2/4
Mr. Kwok Chi Hung	4/4
Mr. Ng Tin Sang	(appointed on 27 May 2005) 2/2
Mr. Si Wei	(appointed on 28 December 2005) 0/0
Mr. Wang Qing Yu	(appointed on 28 December 2005) 0/0
Mr. Yap Shun Chung	2/4
Mr. David Wang Xin	2/4
Mr. Zang Hong Liang	2/4
Mr. Wong Wang Tai	(appointed on 9 June 2005) 1/3
Mr. Luo Xiu Qing	(resigned on 27 May 2005) 0/1
Mr. Li Tong Yu	(resigned on 27 May 2005) 0/1
Mr. Yeung Chin Cheung	(resigned on 14 March 2005) 0/0

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All Independent Non-executive Directors are financially independent from the Company. The Company confirmed with all Independent Non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer of the Company are Mr. Wang Qing Yu and Mr. Xiang Xin respectively.

The Board recognises power is not concentrated in any one individual both on the management of the board and the day-to-day management of the Company's business. In order to meet this aim, the responsibilities between the Chairman and Chief Executive Officer are separate.

The Chairman is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner.

The Chief Executive Officer is responsible for running the Company's business, and implementation of the Company's strategy in achieving the overall commercial objectives.

REMUNERATION COMMITTEE

The Company has not set up a remuneration committee, which deviates from the code provision in the CG Code. The Board is of the view that having regard to the operation scale of the Company, the duties of the remunerations committee shall be rested to the Board.

The principal element of remuneration package for all directors was director fee only. During this financial year, the Board has not discussed remuneration related matters.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Graham H.Y. Chan & Co., is set out as follow:

	Fee Paid/Payable HK\$
Audit fee for the year	65,000
Other professional services	19,500
	<hr/> 84,500

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AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr David Wang Xin, Mr Zang Hong Liang and Mr Wong Wang Tai.

Mr David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met twice during the year and the respective attendance at such meeting was:

Name of Director	Attendance
Mr. David Wang Xin	2/2
Mr. Zang Hong Liang	1/2
Mr. Wong Wang Tai (appointed on 9 June 2005)	1/1

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendation as to the approval of the Company's interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half year results for the period ended 30 June 2005 and the annual results for the year ended 31 December 2005 of the Company before announcement of both results.