

The Company is committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules which came into effect on 1st January, 2005.

Directors’ Securities Transactions

The Company has adopted a code of conduct for securities transactions by directors (the “Code of Conduct”) on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with all directors, all directors have confirmed that they have complied with the required standard set out in the Code of Conduct and the Model Code throughout the year ended 31st December, 2005.

Board of Directors

The Board is empowered to manage and conduct the business and affairs of the Company and its subsidiaries (the “Group”) and is responsible for determining of the Group’s overall corporate objectives, business strategies and operational policies. The Board is also required to ensure the Group’s operations are conducted prudently and complied with specific corporate governance requirements and appropriate framework of laws and regulatory guidelines. The Board has delegated the day-to-day management of the Company’ business to the Executive Committee of the Company (the “Executive Committee”) which consists of the three executive directors of the Company. The Executive Committee is responsible for formulating the policies of the Group on major strategic, financial, regulatory, risk management, commercial and operational issues for the Board’s consideration; implementing policies as determined by the Board and monitoring the operational and financial performance of the Group.

The Board currently comprises sixteen members, consisting of three executive directors (including the Chairman and the President) and the remaining thirteen non-executive directors, three of whom are independent non-executive directors. The individuals who make up the Board draw on diverse and professional backgrounds. The independent non-executive directors possess appropriate professional qualifications, or accounting or related financial management expertise. Pursuant to specific enquiries made with all independent non-executive directors, all such directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence. The biographical details of the directors and the relationship among them are set out on pages 17 to 23 of this Annual Report.

Board of Directors (cont'd)

All non-executive directors are engaged on a service contract for a specific term and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. All directors are subject to retirement by rotation and re-election at least once every three years at the annual general meeting.

Each of the directors, on appointment to the Board, receives a package of orientation materials on key areas of business operations and practices of the Company, as well as a Directors' Handbook. The Directors' Handbook sets out, among other things, the general and specific duties of the Directors and the terms of reference of various Board Committees. The Directors' Handbooks are updated from time to time to reflect developments and latest changes in the commercial and regulatory environment in which the Group conducts its business.

The Board meets regularly, and at least four times a year, to review business development of the Group and additional meetings will be held as and when required. All directors have full access to information on the Group and may, in appropriate circumstances, take independent professional advice at the Company's expense. In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompany Board papers are sent to all directors at least 3 days before the intended date of a Board meeting. Minutes of every Board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following Board meeting.

In year 2005, the Board held four meetings and the attendance record of each member of the Board is set out below:

Directors	Attendance of Board meetings in 2005	Attendance rate
<i>Executive Directors:</i>		
Robin Y. H. Chan (<i>Chairman</i>)	4/4	100%
Lau Ki Chit	4/4	100%
The Hon. Bernard Charnwut Chan (<i>President</i>)	4/4	100%
<i>Non-executive Directors:</i>		
Tan Sri Frank W. K. Tsao	3/4 *	75%

* 3 meetings were attended by his alternate director

Board of Directors (cont'd)

Directors	Attendance of Board meetings in 2005	Attendance rate
Choedchu Sophonpanich	3/4	75%
Ng Song Hin	3/4	75%
Tan Eng Heng	3/4	75%
Dr. The Hon. Philip Y. H. Wong	1/4	25%
Dr. Leo Tung Hai Lee	3/4	75%
Kenneth Chi Lam Siao	3/4	75%
Na Wu Beng	3/4	75%
Yoshitaka Sawamura	2/4	50%
Takashi Muraoka	4/4 #	100%

2 meetings were attended by his alternate director

Independent Non-executive Directors:

Andrew Chiu Cheung Ma	4/4	100%
Anna Suk Han Chow	4/4	100%
Ko Wing Man	4/4	100%

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer had been segregated since 21st March, 2005. The Chairman is Mr. Robin Y. H. Chan who is also an executive director. The Chairman is responsible for the leadership and effective running of the Board. Mr. Bernard Charnwut Chan, an executive director, is the Chief Executive Officer (appointed as the President on 21st March, 2005) who is responsible for the day-to-day management of the Company's business.

Remuneration Committee

The Remuneration Committee was set up on 21st March, 2005 with specific terms of reference. The Remuneration Committee comprises four members, three of whom are independent non-executive directors. The members are Dr. Ko Wing Man (Chairman), Mr. Andrew Chiu Cheung Ma, Ms. Anna Suk Han Chow and Mr. Bernard Charnwut Chan. The Remuneration Committee meets at least once each year.

Remuneration Committee (cont'd)

The Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy and for the formulation and review of the remuneration packages of all the directors and senior executives of the Group. The Remuneration Committee may seek advice from external professional advisors for market data of executive remuneration and other related rewarding issues if required.

In year 2005, the Remuneration Committee held one meeting. The attendance record of each Remuneration Committee member is set out below:

Directors	Attendance of Remuneration Committee meetings in 2005	Attendance rate
Ko Wing Man (<i>Chairman</i>)	1/1	100%
Anna Suk Han Chow	1/1	100%
Andrew Chiu Cheung Ma	1/1	100%
The Hon. Bernard Charnwut Chan	1/1	100%

Nomination Committee

The Nomination Committee was set up on 21st March, 2005 with specific terms of reference. The Nomination Committee comprises four members, three of whom are independent non-executive directors. The members are Ms. Anna Suk Han Chow (Chairman), Mr. Andrew Chiu Cheung Ma, Dr. Ko Wing Man and Mr. Bernard Charnwut Chan. The Nomination Committee meets at least once each year.

The Nomination Committee is responsible for recommending to the Board all new appointments of directors.

In year 2005, the Nomination Committee held one meeting. The attendance record of each Nomination Committee member is set out below:

Directors	Attendance of Nomination Committee meetings in 2005	Attendance rate
Anna Suk Han Chow (<i>Chairman</i>)	1/1	100%
Andrew Chiu Cheung Ma	1/1	100%
Ko Wing Man	1/1	100%
The Hon. Bernard Charnwut Chan	1/1	100%

Audit Committee

The Audit Committee consists of five non-executive directors, three of whom are independent non-executive directors. Members of the Audit Committee are Mr. Andrew Chiu Cheung Ma (Chairman), Mr. Kenneth Chi Lam Siao, Mr. Ng Song Hin, Ms. Anna Suk Han Chow and Dr. Ko Wing Man. The Audit Committee normally meets four times a year and members of the Audit Committee may request a meeting if they think it necessary.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated to comply with the CG Code.

The Audit Committee held five meetings in the year 2005. Representatives of the external auditors, the Head of Group Finance and the Head of Internal Audit Department attended all those meetings for reporting and answering questions about their work. The attendance record of each Audit Committee member is set out below.

Directors	Attendance of Audit Committee meetings in 2005	Attendance rate
Andrew Chiu Cheung Ma (<i>Chairman</i>)	5/5	100%
Kenneth Chi Lam Siao	4/5	80%
Ng Song Hin	2/5	40%
Anna Suk Han Chow	4/5	80%
Ko Wing Man	4/5	80%

During the year 2005, the Audit Committee had performed the following work:-

- reviewed the truth and fairness of the Group's annual and interim financial statements, and discuss with the external auditors the nature and scope of audit before the audit commences.
- reviewed the report and management letter from the external auditors.
- reviewed the audit fees payable to external auditors for the year ended 31st December, 2005 for approval by the Board.
- reviewed and approved the Group's internal audit plan for 2005 with areas of emphasis identified.
- reviewed the effectiveness of internal control systems.
- reviewed the findings and recommendations of the Internal Audit Department on the operations and performance of the Group.
- reviewed the connected transaction entered into by the Group.
- reviewed the Group's compliance with regulatory and statutory requirements.
- reviewed the Group's risk management processes.

Auditors' remuneration

During the year under review, the fees charged by the Company's external auditors, Messrs. Ernst & Young, are set out as follows:

Services rendered	Fees paid/payable HK\$
Audit services	2,600,000
Non-audit services	599,600
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	3,199,600
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Accountability and Audit

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the statement of affairs of the Group and the results and cash flow for that period. In preparing the accounts for the year ended 31st December, 2005, the directors has selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and prepared the accounts on the going concern basis.

Internal Control

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control of the Group comprised a well-established organizational structure and comprehensive policies and standards. The Group Internal Audit plays an important role in the Group's internal control framework. It monitors the compliance with policies and standards and the effectiveness of internal control structures across the Group. All internal audit reports will be submitted to the Audit Committee for review. Significant issues in the management letters from external auditors and reports from regulatory authorities will be brought to the attention of the Audit Committee. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time. Using a risk-and-control based audit approach, the Group Internal Audit Department plans its internal audit schedules annually with audit resources being focused on higher risk areas. The Internal Audit Plan is submitted to the Audit Committee for review and approval.

Communications with shareholders

The Board recognizes the importance of good communications with all shareholders and is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the annual general meeting for which at least 21 days notice is given. The Chairman of the Board as well as chairmen of the Audit, Nomination and Remuneration Committees, or in their absence, members of the Committees together with the external auditors are available to answer shareholders' questions at the meeting. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biography of each candidates standing for election and re-election.

The Bye-laws of the Company were revised in 2005 to reflect the changes brought about by the new Listing Rules effective on 1st January, 2005.

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2005 and up to the date of this Annual Report as required by the Listing Rules.