

# CORPORATE GOVERNANCE REPORT

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 Listing Rules, which came into effect on 1 January 2005.

The shares of the Company commenced listing on the Stock Exchange on 11 January 2006 where its Directors (except the Chairman) were appointed on 14 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 ("Model Code") of the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code since the listing of the shares of the Company on 11 January 2006.

## **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 five executive Directors and three independent non-executive Directors:

### **Executive Directors**

Mr. CHU Chih-Yaung (*Chairman*)  
Mr. CHEN Hsiang-Jung (*Chief Executive Officer*)  
Mr. CHEN Min-Ho  
Mr. WEN Chi-Tang  
Mr. CHIU Rung-Hsien

### **Independent non-executive Directors**

Mr. KOO Fook Sun, Louis  
Mr. CHIANG Chun-Te  
Mr. YU Yu-Tang

# CORPORATE GOVERNANCE REPORT

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 11 to 13 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.

## **Chairman and Chief Executive Officer**

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. CHU Chih-Yaung, is in-charge of the leadership of the Board and strategies planning of the Group. The Chief Executive Officer, being Mr. CHEN Hsiang-Jung, is responsible for the day-to-day management of the Group’s business.

## **Non-executive Directors**

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting and finance. 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 independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

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 of the Company.

# CORPORATE GOVERNANCE REPORT

## Board Meetings

The Company was incorporated in the Cayman Islands on 6 September 2005 and registered as an overseas company under Part XI of the Companies Ordinance on 17 November 2005. During the financial year ended 31 December 2005, the Board held three meetings.

Name of Director	Number of attendance
Mr. CHU Chih-Yaung	3/3
Mr. CHEN Hsiang-Jung*	1/1
Mr. CHEN Min-Ho*	1/1
Mr. WEN Chi-Tang*	1/1
Mr. CHIU Rung-Hsien*	1/1
Mr. KOO Fook Sun, Louis*	1/1
Mr. CHIANG Chun-Te*	1/1
Mr. YU Yu-Tang*	1/1

\* All these Directors were only appointed on 14 December 2005 when two board meetings of the Company had been held before their appointment.

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 ("Audit Committee") on 22 December 2005 with written terms of reference. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman), Mr. CHIANG Chun-Te and Mr. YU Yu-Tang.

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 interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

## CORPORATE GOVERNANCE REPORT

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

During the financial year ended 31 December 2005, no meeting for the Audit Committee was held since all members of the Audit Committee were only appointed on 14 December 2005.

### **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 mechanics industry and/or other professional area.

The Company established a Nomination Committee, with written terms of reference, on 22 December 2005 and consists of two independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman) and Mr. CHIANG Chun-Te, and one executive Director, namely Mr. CHEN Hsiang-Jung.

The functions of the Nomination Committee are to reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

During the financial year ended 31 December 2005, no meeting for the Nomination Committee was held since all members of the Nomination Committee were only appointed on 14 December 2005.

### **REMUNERATION OF DIRECTORS**

The Company established a Remuneration Committee, with written terms of reference, on 22 December 2005 and consists of two independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman) and Mr. CHIANG Chun-Te, and one executive Director, namely Mr. CHEN Hsiang-Jung.

The functions of the Remuneration Committee are to establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2005, no meeting for the Remuneration Committee was held since all members of the Remuneration Committee were only appointed on 14 December 2005.

The Company has adopted a share option scheme on 22 December 2005. 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 note 31 to the consolidated financial statements. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

## AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Deloitte Touche Tohmatsu, is set out below:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,170
Non-audit services	-

## INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board of Directors 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.

## AUDITORS' STATEMENT

The auditors of the Company acknowledge their responsibilities in the auditors' report on the financial statements of the Group for the year ended 31 December 2005.

18 April 2006