

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The Board of Directors (the "Board") believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year, the Company has applied the principles and complied with all code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the following deviations:

- (i) the independent non-executive directors are not appointed for a specific term (which is required under the code provision A.4.1) but are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association;
- (ii) the Chairman of the Board had not attended the Company's annual general meeting held on 20th June, 2005 (which is required under the code provision E.1.2) because of another business engagement. The Chairman will endeavour to attend all future annual general meetings of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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 as the code of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st December, 2005.

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BOARD OF DIRECTORS

As at the date of this report, the Board comprises three Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer) and Mr. Cao Jian An; and three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen.

A total of 30 board meetings were held in the year ended 31st December, 2005 with individual attendance of each director as follows:

Directors' attendance at board meetings

Directors	Attendance
Suen Cho Hung, Paul	30/30
Sue Ka Lok	30/30
Cao Jian An	14/30
Li Zhicai (<i>Note</i>)	0/30
Sun Ka Ziang, Henry	5/30
Kwok Ming Fai	5/30
Wong Yun Kuen	5/30

Note: Mr. Li Zhicai retired as Director of the Company with effect from 20th June, 2005.

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management, it also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Suen Cho Hung, Paul is the Chairman of the Company and Mr. Sue Ka Lok is the Chief Executive Officer (“CEO”) of the Company. The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

NON-EXECUTIVE DIRECTORS

The independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established during the year with terms of reference as set out in the CG Code. The Remuneration Committee consists of three independent non-executive directors and one executive director. As at the date of this report, the members of the Remuneration Committee are as follows:-

Kwok Ming Fai (*Chairman*)

Sun Ka Ziang, Henry

Wong Yun Kuen

Sue Ka Lok

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management; to have the delegated responsibilities to determine the specific remuneration packages of all executive directors and senior management as well as making recommendations to the Board of remuneration of non-executive directors. No meeting of the Remuneration Committee was held during the year ended 31st December, 2005. The first meeting of the Remuneration Committee was held on 29th March, 2006 to review the Company’s policy and structure for all remuneration of directors and senior management.

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AUDIT COMMITTEE

The Audit Committee of the Company was established with terms of reference as set out in the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen. The Chairman of the Audit Committee is Mr. Sun Ka Ziang, Henry.

The Audit Committee held three meetings during the year ended 31st December, 2005. Details of the attendance of the Audit Committee Meetings are as follows:

Members	Attendance
Sun Ka Ziang, Henry	3/3
Kwok Ming Fai	3/3
Wong Yun Kuen	3/3

During the year ended 31st December, 2005, the Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and annual audited results of the Group.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibility for preparing the financial statements by the Company for the year ended 31st December, 2005.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Auditors' Report on page 21.

AUDITORS' REMUNERATION

For the year ended 31st December, 2005, the auditors of the Company received approximately HK\$2,028,000 for providing audit services to the Group. No payments for non-audit services provided by the auditors were made during the year.
