

## Corporate Governance Report

The Company has always recognized the importance of transparency and accountability. With regard to its shareholders, it is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "New CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective on 1 January 2005 and in replacement of the Code of Best Practice, as its own code of corporate governance practices. To ensure compliance with the New CG Code, the Board has undertaken to review and propose the necessary amendments to the Bye-Laws of the Company to bring the constitution of the Company in alignment with certain provisions of the New CG Code. According to the private act of the Company enacted in 1991 (the "Act"), no Director holding the office of chairman or managing director shall be subject to retirement by rotation as provided in the Bye-Laws. As the Company is bound by the provisions of the Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the New CG Code. As such, the forthcoming Annual General Meeting of the Company will be held to amend the Bye-Laws of the Company so that, inter alia, (i) if so required by the Listing Rules, voting of shareholders will be by poll instead of by show of hands; (ii) director(s) attending the meeting holding proxies of shares of the Company representing 5% or more of the total voting rights at the meeting can require voting by poll; (iii) the Company shall be required to disclose by way of announcement the voting figures on a poll if such disclosure is required by the Listing Rules; (iv) any director appointed by the Board of Directors to fill a casual vacancy shall be subject to re-election by Shareholders at the Company's first general meeting after the appointment rather than the Company's next following annual general meeting after the appointment; and (v) every director (except the Chairman of the Board and the Managing Director) shall be subject to retirement by rotation at least once every three years.

In view of the provisions in the New CG Code, each of the Chairman of the Board and the Managing Director of the Company has respectively confirmed that he will voluntarily retire from his directorship at future annual general meetings of the Company at such frequency as is necessary in order for the Company to comply with the New CG Code, provided that being eligible for re-election, he may offer himself for re-election at the relevant general meetings.

Accordingly, in the opinion of the directors, the Company has met the code provisions set out in the New CG Code, save for certain deviations in respect of service terms of directors and communication with shareholders.

## Corporate Governance Report (Continued)

### THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances.

The Board meets regularly and as and when required. During the Year, the Board held 47 meetings. Notice of board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The attendance of the directors at the board meetings was as follows:

<b>Name of director</b>	<b>Number of attendance</b>
Mr. Shaw Wen Fei	7/47
Mr. Sung Kai Hing, Simon (appointed on 27 June 2005)	20/47
Mr. Au Hoi Tsun, Peter	46/47
Mr. Hui Tung Wah, Samuel (appointed on 27 June 2005)	30/47
Mr. Sung Yan Wai, Petrus	46/47
Mr. Wong Che Keung, Richard	14/47
Mr. Tong Yee Yung, Joseph	14/47
Mr. Wong Kin Chi	13/47
Mr. Lui Chun Bing, Tommy (resigned on 5 July 2005)	18/47
Mr. Chim Chun Kwan, Sandy (resigned on 1 November 2005)	24/47

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's costs. The Board provides separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties, where necessary.

Appropriate insurance cover has been arranged in respect of any possible legal action against its directors.

## Corporate Governance Report (Continued)

### CHAIRMAN, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman, the Vice Chairman and the Chief Executive Officer of the Company are separate persons in order to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Chairman, Mr. Shaw Wen Fei, is responsible for the leadership and effective running of the board while the Vice Chairman, Mr. Sung Kai Hing, Simon, and the Managing Director, Mr. Au Hoi Tsun, Peter, are delegated with the authority to manage the business of the Group in all aspects effectively.

### BOARD COMPOSITION

The Board comprises four Executive Directors, being Mr. Sung Kai Hing, Simon, Mr. Au Hoi Tsun, Peter, Mr. Hui Tung Wah, Samuel and Mr. Sung Yan Wai, Petrus, one Non-Executive Director, being Mr. Shaw Wen Fei (Chairman) and three Independent Non-Executive Directors, being Mr. Wong Che Keung, Richard, Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition ensures that strong independence exists across the Board. The biographies of the Directors are set out in pages 9 to 10 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

## Corporate Governance Report (Continued)

### APPOINTMENTS, RE-ELECTION AND REMOVAL

Prior to the New CG Code coming into effect, the Non-Executive Directors of the Company were not appointed for specific terms, but they are (other than the Chairman of the Board) subject to retirement and re-election at annual general meeting of the Company in accordance with Bye-Laws 89 and 97 of the Company's Bye-Laws. In view of the New CG Code, the Company is taking steps to ensure that the Non-Executive Directors are appointed with specific terms. A special resolution will be proposed at the forthcoming annual general meeting held on 9 June 2006 to amend the Bye-Laws to provide that every Director (including those appointed for a specific term but excluding the Chairman of the Board and the Managing Director) shall be subject to retirement by rotation at least once every three years.

According to the private act of the Company enacted in 1991 (the "Act"), no Director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-Laws. As the Company is bound by the provisions of the Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the New CG Code. Therefore, each of the Chairman of the Board and the Managing Director of the Company has respectively confirmed that he will voluntarily retire from his directorship at future annual general meetings of the Company at such frequency as necessary in order for the Company to comply with New CG Code, provided that being eligible for re-election, he may offer himself for re-election at the relevant general meetings.

On the same date, an amendment to Bye-Law 89 will also be proposed to provide that any Director appointed by the Board to fill a casual vacancy on the Board shall be subject to re-election by shareholders at the first general meeting after the appointment rather than at the next following annual general meeting after the appointment.

### RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. Most of them are also members of audit and remuneration committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

## Corporate Governance Report (Continued)

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code.

### SUPPLY OF AND ACCESS TO INFORMATION

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the Management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee comprising the three Independent Non-Executive Directors. Its terms of reference are summarized as follows:

- (i) to make recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the board of the remuneration of non-executive directors;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- (iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

## Corporate Governance Report (Continued)

- (v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

For the year ended 31 December 2005, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company adopted a share option scheme in 2002, our 77.04% Australian listed subsidiary, Omnitech Holdings Limited (“OHL”) adopted its share option scheme in 2004 and our 51.52% subsidiary Windsor Treasure Group Holdings Limited (“WTG”) adopted its share option scheme in 2005. Such incentive schemes enable eligible persons to obtain an ownership interest in the Company, OHL and WTG and thus rewards those participants who contribute to the success of the Group’s operations.

Details of the amount of Directors emoluments are set out in note 8 to the financial statements and details of the Share Option Scheme of the Company, OHL and WTG are set out in the Report of the Directors and note 27 to the financial statements.

### ACCOUNTABILITY AND AUDIT

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

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 Group 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 Group’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 Group’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 acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company’s annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

## Corporate Governance Report (Continued)

### INTERNAL CONTROLS

During the Year, the directors conducted a review of the effectiveness of the system of internal control of the Company which cover all material controls, including financial, operational and compliance controls and risks management functions. The findings will be provided to the Audit Committee and the external auditors for reference.

### AUDIT COMMITTEE

The Audit Committee currently comprises all three Independent Non-Executive Directors of the Company, Mr. Wong Che Keung, Richard as the Chairman and Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial and banking sectors.

#### Attendance at Audit Committee meetings

Name of audit committee members	Number of attendance
Mr. Wong Che Keung, Richard	3/3
Mr. Tong Yee Yung, Joseph	3/3
Mr. Wong Kin Chi	3/3

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

## Corporate Governance Report (Continued)

### AUDITORS' REMUNERATION

During the Year, the remuneration paid to the Company's auditors, Messrs Moore Stephens was as follows:

<b>Services rendered</b>	<b>Fee paid/payable</b> HK\$'000
Audit services	1,297
Non-audit services	673
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	1,970
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### COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the Chairman of that meeting.

The Vice Chairman of the board attended the 2005 annual general meeting to be available to answer questions at the meeting.

### VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance with Bye-Law 67 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman;
- (ii) at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting;
- (iii) any shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the rights to vote at the meeting; or



## Corporate Governance Report (Continued)

- (iv) a shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- (i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.