



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Group constantly strives to enhance corporate governance and transparency through adoption and implementation of corporate governance practices. The board of directors (the “Board”) has complied with all the code provisions set out in Appendix 14 of the Codes on Corporate Governance Practices (the “Codes”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31st December 2005 except for the deviations from Code Provisions A.2.1 and A.4.2 which will be elaborated below.

BOARD OF DIRECTORS

The Board is the highest level of decisions making body of the Group and assumes full responsibility for leadership and control of the Group. Board meetings are held at least quarterly in a year, where major issues are discussed and resolved. Additional board meetings will be held when necessary. During the year 2005, a total of twelve meetings were held. Minutes of all meetings of the Board, the Audit Committee and the Remuneration Committee are kept by the Company Secretary. Directors have full access to all papers and materials of the Board and all committees.

DIRECTORS’ SECURITIES TRANSACTIONS

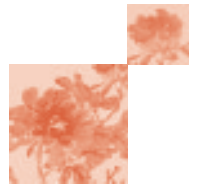
The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules as a code of conduct for directors’ securities transactions. The directors confirmed that they had complied with the required standard of dealings during the year.

BOARD COMPOSITION

Currently, the Board is made up of 6 executive directors, 1 director and 4 independent non-executive directors. Over one-third of the directors are independent non-executive directors. All directors are expressly identified by categories of executive directors, non-executive directors and independent non-executive directors, in all corporate communications that disclose the names of the directors of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Provision A.2.1 of the Codes requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Group’s current practice has deviated from the requirement of this provision. Mr. Tang Yu Lap assumes the role of chairman and there is no other person designated as chief executive officer. The Board believes that this structure helps to maintain strong and effective leadership and leads to a highly efficient decision making process. To help achieving a balance of power and authority, the Executive Management Committee of the Group meets weekly to discuss and make decision on issues relating to the day-to-day management of the business of the Group.



NON-EXECUTIVE DIRECTORS

The non-executive director and four independent non-executive directors are appointed for a term of one year and are subject to rotation in accordance with the provisions in the bye-laws of the Company. During the year, Mr. Cheng Wing Chi and Professor Nyaw Mee Kau retired and were re-elected in the annual general meeting held on 20th May 2005. An annual confirmation of independence has been received from each independent non-executive director for the year 2005.

REMUNERATION

By a board of directors' resolution on 12th January 2005, the remuneration committee of the Company (the "Remuneration Committee") was established with specific written terms of reference. Currently Mr. Yu Man Woon is chairman of the Remuneration Committee and the other members are Mr. Tang Yu Lap and Mr. Cheng Wing Chi. Majority members of the Remuneration Committee are independent non-executive directors. Ms. Poon Wai Ming, being the executive director responsible for human resources matters attended all the meetings of the Remuneration Committee to provide necessary information and support.

The Remuneration Committee is responsible for the formulation of policy on remuneration of executive directors and senior management and decides on their individual package, which was decided by reference to the individual's professional qualification, experience and function in the Group. Each executive director is entitled to a fixed salary according to the service agreement entered with the Group, and a discretionary bonus to be decided according to the overall operation result of the Group and the individual's performance during the year. The Remuneration Committee meets at least twice a year. During the year 2005 three meetings were held. The remuneration of non-executive directors (including independent non-executive directors) was approved by the Board. The Board ensures that no director or any of his associates is involved in deciding his own remuneration.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is responsible for all matters relating to the appointment of directors, either to fill casual vacancies or as an addition to the existing directors. The executive directors consider the necessity of filling vacancy when arisen and also the addition to existing directors as deemed necessary. Suitable candidates are proposed to the full Board or general meeting for consideration of appointment.

ROTATION OF DIRECTORS

Directors appointed by the Board during the year shall hold office only until the subsequent annual general meeting, at which time they shall retire and be eligible for re-election by members.

Provision A.4.2 of the Codes provides that every director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years. The bye-laws of the Company require that in each annual general meeting, one-third of the directors shall retire by rotation and be eligible for re-election. However, the chairman and/or managing director of the Company are not required to retire in any annual general meeting. The Board will propose to amend the bye-laws in order to comply with the provision of the Codes in the forthcoming annual general meeting.

AUDITORS' REMUNERATION

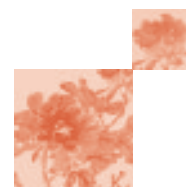
The auditors, PricewaterhouseCoopers provides both audit and non-audit services to the Group. For the year ended 31st December 2005, audit fee for the Group totaled HK\$1.67 million. Non-audit services include review on interim financial reporting, advising on human resources issues, and tax compliance and planning services. Total fee paid for non-audit services during the year 2005 was HK\$0.45 million.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive directors and one executive director as representative from the management. The chairman of the Audit Committee possessed appropriate professional expertise and experience in accounting and financial management as required by the Listing Rules. Mr. Chung Shui Ming, Timpson is the chairman of the Audit Committee. The other members are Mr. Yu Man Woon, Mr. Cheng Wing Chi and Professor Nyaw Mee Kau.

The principal duties of the Audit Committee include the review of the internal control system of the Group, review of the report submitted by the internal auditor, review of half-yearly and annual reports and accounts, approve the annual audit plans submitted by the auditors, review and approve connection transactions and monitor the appointment of the auditors.

The Audit Committee meets at least three times a year. During the year 2005, three meetings were held. The Audit Committee also held a meeting with the auditors of the Group without the presence of the executive directors. It has been established that a private section between the auditors and the independent non-executive directors will be held immediately after each meeting of the Audit Committee.



OTHER BOARD COMMITTEES

The daily management of the Group is delegated to the executive management committee (the “EMC”). Under the EMC, there is a risk management committee (the “RMC”) and a marketing management committee (the “MMC”). Each of the committee meets every week. The EMC is chaired by the deputy chairman of the Group and is responsible for formulating and implementing the overall policy and to exercise control of the Group’s activities, approve and review budgets and decide on all major issues. The RMC is responsible to deal with all risk management issues of the Group and review complaints lodged by clients. The MMC is responsible for formulating all marketing policies, approving overall terms and packages to marketing staff and deciding on general terms to be offered to clients.

ATTENDANCE RECORDS OF MEETING

The attendance of individual members of the Board and the Board Committees meetings during the 2005 is set out as below:

Name of Director	Meeting Attended/Eligible to Attend		
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
<i>Executive Directors</i>			
Tang Yu Lap	09/12	–	02/03
Tang Ping Sum	11/12	–	–
Man Kong Yui (Retired)	02/05	–	–
Sze Chong Hoi (Resigned)	10/12	–	–
Chan Na Wah, Helena (Resigned)	01/02	–	–
Lam Ngok Fung	12/12	–	–
Ng Chiu Mui	12/12	–	–
Poon Wai Ming	12/12	–	–
Law Kai Yee	01/01	–	–
<i>Non-executive Directors</i>			
Yu Man Woon	11/12	03/03	03/03
Fong Wo, Felix	08/12	–	–
Chung Shui Ming, Timpson	09/12	03/03	–
Cheng Wing Chi	12/12	03/03	03/03
Nyaw Mee Kau	09/11	02/03	–