

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders. The Stock Exchange introduced the Code on Corporate Governance Practices (“the Code”) in November 2004, for replacement and enhancement of the Code of Best Practice in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Code has become effective from 1 January 2005 and the Group has complied with code provisions as set out in the Code with the exception of code provision A.4.1 of the Code in respect of the service term. None of the existing independent non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under paragraph (1) of article 88 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

THE BOARD

Composition

The Board consists of three executive directors and three independent non-executive directors (“INED(s)”). Mr. Wong Wai Kwong, David, executive director, and Mr. Kong Tze Wing, independent non-executive director and Chairman of audit committee have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 8 to 10 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board.

Function

The Board is responsible for managing and direction setting of the Company. For any major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters, Board approval is required.

The executive directors are responsible for day-to-day management of the Company’s operations. These executive directors conduct regular meetings, at which operational issues and financial performance of the Company and its subsidiaries are evaluated.

The Company views well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board held four regular Board meetings at approximately quarterly interval during year 2005 and additional board meetings were held when necessary. An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. Notice of at least fourteen days are given to give all directors an opportunity to attend. The directors who cannot attend in person might through other electronic means of communications to participate. Details of individual attendance of directors are set out in the table below:–

Attendance of individual directors at Board meeting in 2005

Number of meetings	4
Executive Director	
Mr. Choi Wai Yin	3/4
Mr. Wong Wai Kwong, David	3/4
Mr. Wong Wing Hong, Benny	4/4
INEDs	
Mr. Kong Tze Wing	4/4
Mr. Siu Siu Ling, Robert	3/4
Mr. Ng Yick Man, Andy	3/4

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Board Committees

In order to strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director, Mr. Wong Wai Kwong, David and three independent Non-Executive Directors, Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy. It is chaired by Mr. Kong Tze Wing.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of non-executive directors.

Set out below is the summary of work of the Remuneration Committee done in 2005:–

- to review the remuneration policy for 2005/2006;
- to review the remuneration of the executive directors and the INEDs; and
- to review the annual share option policy.

The Remuneration Committee held one meeting for the financial year ended 31 December 2005. Details of individual attendance of its members are set out in the table below:–

Number of meetings	1
Executive Director	
Mr. Wong Wai Kwong, David	1/1
INEDs	
Mr. Kong Tze Wing	1/1
Mr. Siu Siu Ling, Robert	1/1
Mr. Ng Yick Man, Andy	1/1

Audit Committee

The Company's Audit Committee is composed of three independent non-executive directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy. It is chaired by Mr. Kong Tze Wing. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

Set out below is the summary of work done in 2005:-

- to review the financial statements for the year ended 31 December, 2004 and for the six months ended 30 June, 2005;
- to review effectiveness of the internal control system;
- to review auditors' statutory audit plan and letters of representation; and
- to consider and approve 2005 audit fees and audit work.

The Audit Committee held 2 meetings for the financial year ended 31 December 2005. Details of individual attendance of its members are set out in the table below:-

Number of meetings	2
INEDs	
Mr. Kong Tze Wing	2/2
Mr. Siu Siu Ling, Robert	2/2
Mr. Ng Yick Man, Andy	2/2

Other Information

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

Auditors’ Remuneration

The Audit Committee reviews each year with the external auditors of the Company as regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

During the year, the fees paid to the Company’s auditor in respect of audit services amounted to HK\$182,300. No non-audit services were provided by the Company’s auditors for the financial year ended 31 December 2005.

Internal Control

The Company places great importance on internal control and risk management.

The Company encourages a risk aware and control conscious environment throughout the Company. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

Pursuant to the code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said code provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005. The Company will conduct a review of its internal control system pursuant to the code provision C.2.1 in year 2006.

In relation to the financial year ended 31 December 2005, the audit committee has discussed and reviewed the annual internal control systems review report prepared by the Company, with the management. The audit committee concurred with the management’s conclusion that “the prevailing internal control systems have been adequately in place and properly implemented. There exists no significant area of improvement that needs to be brought to the attention of the shareholders”.

Shareholder communication

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

Directors' responsibility in preparing the financial statements

The Directors acknowledge that it is their responsibilities in preparing the Financial Statements. The Statement of the Auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 20.