

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving high standards of corporate governance to ensure transparency and accountability. It believes that corporate governance is crucial to the development of the Group and helps safeguard the interests of the Company's shareholders.

The Company has complied with the code provisions as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the year ended 31 December 2005, except for the deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and that their divisions of responsibility should be clearly established and set out in writing. The Company currently has not complied with Code Provision A.2.1 as the Company considers that through the supervision of its board of Directors (the "Board"), a balancing mechanism exists so that the interests of the shareholders are fairly represented. Nevertheless, the Company will be reviewing its situation regularly and will comply with this code at an appropriate time in the future should it consider appropriate and necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by its directors (the "Directors"). Each of the Directors has confirmed that they have complied with the required standard set out in the Model Code throughout the financial year ended 31 December 2005.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises 10 Directors. Details of the composition of the Board, relationship among members of the Board (if any), term of appointment of the Directors, and biographical information of the Directors are set out in the sections "Report of the Directors" and "Directors and Senior Management" of Annual Report 2005. The Board held 5 meetings during the financial year with attendance record as follows:

Attendance at Board Meeting	Number of meetings attended (5 meetings in total)
<i>Executive Directors:</i>	
Fok Tung Ling (Chairman & President)	5
Zhang Yue Jun	5
Chan Kai Leung, Clement	5
Wu Jiang Cheng	4
Yan Ji Ci	4
Zheng Guo Bao	4
Yeung Pui Sang, Simon (appointed on 7 April 2005)	5
<i>Independent Non-executive Directors:</i>	
Yao Yan	4
Lau Siu Ki, Kevin	5
Liu Cai	3

Full Board meetings are held at least 4 times a year. The Board decides on corporate strategies, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim financial statements for the Board's approval before public reporting; implementation of strategies approved by the Board; the monitoring of operating budgets; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As at the date of this report, the Board is satisfied that all such Directors are in full compliance with the independence guidelines as laid down in the Listing Rules.

The Board acknowledges their responsibilities for the preparation of the financial statements of the Group.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive Directors, Mr Yao Yan, Mr Lau Siu Ki, Kevin and Mr Liu Cai. Mr Lau Siu Ki, Kevin is the chairman of the remuneration committee. Its primary duties are to advise the Board on the remuneration policy for all Directors and senior management and to determine, review and monitor the remuneration packages and any compensation arrangements made to the Directors and senior management. The remuneration committee has adopted terms of reference which are in line with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The remuneration committee met once during the year with attendance by Mr Lau Siu Ki, Kevin and Mr Yao Yan to review the remuneration policy and determine the remuneration packages of executive Directors. The remuneration committee also authorised the Board to determine the remuneration packages of the senior management.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr Yao Yan, Mr Lau Siu Ki, Kevin and Mr Liu Cai. Mr Lau Siu Ki, Kevin is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. Its primary duties are to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. The Audit Committee held 2 meetings during the year with attendance record as follows:

Attendance at Audit Committee	Number of meetings attended (2 meetings in total)
Yao Yan	2
Lau Siu Ki, Kevin	2
Liu Cai	0

AUDITORS' REMUNERATION

During the year, the Group engaged auditors to perform audit and audit related services, and incurred audit and audit related service fees of approximately HK\$2,354,000 (2004: HK\$1,257,000)

CORPORATE TRANSPARENCY AND INVESTOR RELATIONS

The Company always endeavours to improve transparency and accountability to its shareholders in the best possible way. Immediately after reporting its interim or annual results, the Company holds press conferences and investment analyst conferences where the financial performance, business review and prospect of the Group are presented. This also sets an open communications platform for the Group's senior management to address any questions that the investment community and the media may have.

Web-cast presentation is also sent to shareholders and investors around the world to ensure information is disseminated on a fair and timely basis. In addition, the Group's senior management holds road shows and attends investor conferences regularly throughout the year. This provides the investment community with an opportunity to understand the business of the Group better. The Company was one of the finalists for the award of "Best Investor Relations Officer – small or mid-cap company in Hong Kong and Taiwan" during this year.

The Company issues press releases and announcements where appropriate to provide updated information about the Group's business development in a timely manner. The Company also updates its website regularly to ensure information about its latest development is disseminated promptly.