

## CORPORATE GOVERNANCE REPORT

The Company is committed to establish and ensure a high standard on the corporate governance practices which emphasise on quality Board of Directors (the "Board"), sound and efficient internal control and the accountability and transparency to the equity holders. The Directors are in the opinion that the Company has complied with the code provision as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since 21 March 2006 (the "Listing Date") except the code provision on internal controls which are to be implemented for accounting period commencing on or after 1 July 2005.

The Company's corporate governance structure includes the Board and three committees under the Board, namely audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee") and nomination committee ("Nomination Committee"). The Board stipulates the terms of reference of all committees in months and specifies clearly the power and responsibilities of the committees.

### BOARD OF DIRECTORS

The Board comprises three executive Directors, Mr. Wang Hung, Roger, Mr. Han Xiang Li and Mr. Wang Wei; a non-executive Director, Mr. Mohammed K. Ghods; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Board.

For details of the Directors' biographical information, please refer to the section headed "Biographies of Directors and Senior Management".

The principal functions of the Board are to consider and approve the strategies, financial objectives, annual budget, investment proposals and assume the responsibilities of corporate governance of the Company. The day-to-day operations of the Group are delegated to the management of the Group.

The Chairman is responsible for the orderly conduct and operation of the Board while the executive Directors other than the Chairman are responsible for the daily operation of the Group.

Non-executive and independent non-executive directors were appointed for a term of one year.

Board meetings will be held at least four times a year (about one per quarter) and will convene meetings when necessary. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Code. Since the Listing, one Board meeting was held on 24 April 2006 in which all Directors attended the meeting.

### MODEL CODE ON 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 of the Listing Rules. The Directors have complied with the Model Code since the Listing Date.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

### ACCOUNTABILITY AND AUDIT AND AUDITORS' REMUNERATION

The Directors acknowledge their responsibility for preparation of the combined financial statements of the Group. This responsibility has also been mentioned in the report of the Auditors on page 24.

The auditors of the Company received about HK\$0.8 million for the provision of audit services for the year ended 31 December 2005.

### AUDIT COMMITTEE

The Audit Committee, established in compliance with the Code, comprises two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John; and a non-executive Director, Mr. Mohammed K. Ghods. Mr. Wong Chi Keung is the Chairman of the Audit Committee.

The principal functions of the Audit Committee are to review and supervise the Group's statutory audit, interim and annual accounts of the Group and the system of internal controls.

The Audit Committee meeting will be held at least twice a year. Since the Listing, one Audit Committee meeting was held on 21 April 2006 with majority of committee members attended the meeting to review the Group's results for the year 2005. The attendance of the Directors at the Audit Committee meeting is as follows:

WONG Chi Keung  
LAU Shek Yau, John

### REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee are to review, develop and approve the Group's policy on remuneration of all the Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

The Remuneration Committee meeting will be held at least once a year. No meeting was held by the Remuneration Committee after the Listing.

### NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Nomination Committee.

The principal functions of the Nomination Committee are to review the structure of the Board, assessing the independence of independent non-executive Directors and make recommendations on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee meeting will be held at least once a year. No meeting was held by the Nomination Committee after the Listing.