

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) promulgates the Code on Corporate Governance Practices (the “Code”), which became effective on 1st January 2005. The Code provides the code provisions and recommended best practices for corporate governance.

During the financial year ended 31st December 2005, the Company complied with the Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for certain areas of non-compliance that are discussed later in this report.

## A. DIRECTORS

### A.1 The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company’s affairs. The Board sets strategies for the Company and monitors the performance of the management.

During the financial year ended 31st December 2005, the board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

<b>Name of Director</b>	<b>Number of attendance</b>
Mr. Shih Chian Fang (appointed as Chairman 28 March 2006)	4/4
Mr. Liaw Yuan Chian	4/4
Mr. Chaiteerath Boonchai (resigned on 28 March 2006)	4/4
Mr. Fu Heng Yang	4/4
Mr. Yu Chi Jui	4/4
Ms. Li Xiao Wei	4/4

### A.2 Chairman and Managing Director

The company segregates the role of Chairman from the Managing Director. Mr. Shih Chian Fang is the Chairman of the Company and Mr. Liaw Yuan Chian is the Managing Director of Company. The Chairman provides leadership to the Board and is responsible for overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

## A. DIRECTORS (Cont'd)

### A.3 Board composition

The Board comprises three Executive Directors, being Mr. Shih Chian Fang (Chairman of the Board), Mr. Liaw Yuan Chian (Managing Director) and Ms. Chen Ling, and three Independent Non-Executive Directors, being Mr. Fu Heng Yang, Mr. Yu Chi Jui and Ms. Li Xiao Wei. The profiles of the Directors, which are set out on page 7, demonstrate a balance of skills and experience of the Board.

### A.4 Appointment, re-election and removal

The code provision A.4.1 provides that non-executive director should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors are subject to retirement by rotation at each annual general meeting under 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 CG code.

The code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. The existing Articles of Association deviate from the CG code provision in the following aspects : (i) unlike other directors, the managing director is not subject to retirement by rotation; (ii) new directors appointed to fill the casual vacancies are subjected to election by shareholders at the first annual general meeting after the appointment; and (iii) the director who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. To address item (i) to (iii), the Board shall propose to the Shareholders at the coming annual general meeting to be convened and held in June, 2006 to pass a special resolution amending the Articles of Association to bring them in compliance with the CG Code.

The Company currently does not have a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. The Board will consider the experience, qualification and other relevant factors, including the standards set out in rules 3.08 and 3.09 of the listing Rules and rule 3.13 of the Listing Rules in case of Independent Non-executive Directors, of the eligible candidates. During the year, the Board considered and approved the appointment of an additional Executive Director.

## A. DIRECTORS (Cont'd)

### A.5 Responsibilities of directors

Newly appointed director will receive a comprehensive formal induction on the first occasion of his appointment and the directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the Board Meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interest arise in connected transaction. They are also members of audit committee and remuneration committee.

The company has adopted the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

### A.6 Supply of and access of information

In respect regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### B.1. The level and make-up of remuneration and disclosure

The Remuneration Committee of the Company was established on January 2005. The Remuneration Committee comprised the three Independent Non-executive Directors. Mr. Fu Heng Yeng is the Chairman of the Remuneration Committee.

The primary function is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The Remuneration Committee adopted the Code Provision B.1.3. to be the terms of reference.

During the year, the Remuneration Committee has held one committee meeting. The attendance of the Remuneration Committee members at the Remuneration Committee meeting was as follows:

<b>Name of Member</b>	<b>Number of attendance</b>
Mr. Fu Heng Yeng (Chairman of the remuneration committee)	1/1
Mr. Yu Chi Jui	1/1
Ms. Li Xiao Wei	1/1

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after the meeting. For the financial year ended 31st December 2005, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 6 to the financial statements.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial reporting

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 Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statement on a going concern basis.

The responsibility of the external auditors, Messrs. HLM & Co. is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company and for no other purpose.

### C.2 Internal Control

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern, which might affect the shareholders of the Company.

### C.3 Audit Committee

The Audit Committee comprised the three Independent Non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Fu Heng Yeng who possess extensive experience in accounting and financial matters.

The Audit Committee is mainly responsible for providing an independent review and supervision of the financial reporting process and the Group's internal control system. The terms of reference are reviewed to include the provisions referred in Code Provision C.3.3.

## C. ACCOUNTABILITY AND AUDIT (Cont'd)

### C.3 Audit Committee (Cont'd)

During the year, the Audit Committee held two meetings. The attendance of the Audit Committee members at the audit committee meetings was as follows:

Name of Member	Number of attendance
Mr. Fu Heng Yeng (Chairman of the Audit Committee)	2/2
Mr. Yu Chi Jui	2/2
Ms. Li Xiao Wei	2/2

The following was a summary of the work performed by the Audit Committee in 2005

1. review the financial statements for the year ended 31st December 2004 and the annual results announcement with a recommendation to the board for approval; and
2. review the financial statements for the six months period ended 30th June 2005 and the interim results announcement with a recommendation to the Board for approval.

At the Audit Committee on 21st April 2006, the Audit Committee reviewed the Company's financial statements for the year ended 31st December 2005 and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommend the re-appointment of Messrs. HLM & Co. as external auditors of the Group for 2006 and that the relevant resolution shall put forth for the consideration of the shareholders of the Company and their approval at the 2006 annual general meeting of the Company.

### C.4 Fee paid/payable to Group's auditors

For the financial year ended 31st December 2005, the fee paid/payable to the Group's auditors, HLM & Co. is set out as follows:

	HK\$'000
Services rendered	
– audit services	380
– non-audit services	–
	<hr/>
	380
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## D. DELEGATION BY THE BOARD

### D.1 Management functions

The board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and departments heads who are responsible for the different aspects of the operations of the Group.

### D.2. Board committee

The Company has maintained the Audit Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has terms of reference, which deal clearly with their authority and duties. The chairman of the committees will report the finding and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

## E. COMMUNICATION WITH SHAREHOLDERS

### E.1 Effective communication

Shareholders are encouraged to attend the annual general meeting of the Company for which at least 21 days' notice is given.

Under the first part of code provision E.1.2 of the code, the chairman of the Board should attend annual general meetings. The Chairman of the Board was unable to attend the annual general meeting held on 10th June 2005 as he had another engagement outside Hong Kong that was important to the Company's business.

### E.2 Voting by poll

The right to demand a poll will set out in the circular to shareholders of the Company dispatched in May for 2006 Annual General Meeting held in June 2006.