

CORPORATE GOVERNANCE REPORT

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining high level of business ethics and corporate governance practices.

During the year, the Company endeavours to comply with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “CG Code”). The Company considers that it has complied with the CG Code during the year except for certain areas of non-compliance that are discussed later in this report. The Board continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

THE BOARD

The Board comprises eight Directors including four executive Directors, one non-executive Director, and three independent non-executive Directors. The independent non-executive Directors possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board. The composition of the Board is given below:

Executive Directors:

Mr. Li Wei Bo (*Chairman of the Board and member of Remuneration Committee*)
Mr. Chan Chew Keak, Billy
Mr. Lee Cheuk Yin, Dannis (*member of Remuneration Committee*)
Mr. Cheung Chun Ming

Non-executive Director:

Mr. Sik Siu Kwan

Independent non-executive Directors:

Mr. Ng Kwai Sang (*Chairman of Audit Committee and member of Remuneration Committee*)
Mr. Ng Pui Cheung, Joseph (*member of Audit Committee and Remuneration Committee*)
Mr. Chung Kwok Mo, John (*member of Audit Committee and Chairman of Remuneration Committee*)

The biographical details of the Directors are set out on pages 11 to 14 of this annual report.

CORPORATE GOVERNANCE REPORT

Regular Board meetings are held at least four times a year which include two full Board meetings to approve interim and financial results and to propose interim and final dividends, if appropriate. It is also held as and when necessary to discuss significant transactions, including issuance of debt securities, material acquisitions and disposal, and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings. There were six Board meetings and two Audit Committee meetings held during the year ended 31 December 2005 and the individual attendance record of each Director at the meetings of the Board and the Audit Committee during the year is set out below:

Name of Directors	Attendance/Number of meetings	
	Board	Audit Committee
Mr. Li Wei Bo	6/6	Not applicable
Mr. Chan Chew Keak, Billy	1/6	Not applicable
Mr. Lee Cheuk Yin, Dannis	6/6	Not applicable
Mr. Cheung Chun Ming	6/6	Not applicable
Mr. Sik Siu Kwan	5/6	Not applicable
Mr. Ng Kwai Sang	3/6	1/2
Mr. Ng Pui Cheung, Joseph	4/6	2/2
Mr. Chung Kwok Mo, John	5/6	2/2

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Chairman and the senior management.

There is no financial, business, family or other material or relevant relationship among the Directors.

All non-executive Directors (including independent non-executive Directors) of the Company have been appointed for a term of two years from the date of their appointments. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the articles of association of the Company.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and it still considers the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

To align the Articles of Association of the Company with the CG Code, resolutions will be proposed at the annual general meeting to approve, among other matters, the amendment to the Articles of Association of the Company to require that every Director, including Chairman and those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all Directors appointed to fill a casual vacancy should be subject to election by the Shareholders at the first general meeting after their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Li Wei Bo currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of management. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ng Kwai Sang (Chairman of the Audit Committee), Mr. Ng Pui Cheung, Joseph and Mr. Chung Kwok Mo, John.

The main duties of the Audit Committee are to review the financial information of the Company and oversee the Company's financial reporting system and internal control procedures.

The Audit Committee met twice and reviewed the financial results and reports, financial reporting and compliance procedures, report of internal audit department on the Company's internal control and risk management review and processes and the re-appointment of the external auditors. The Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

CORPORATE GOVERNANCE REPORT

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Auditors' Report on page 29 of this annual report.

AUDITORS' REMUNERATION

RSM Nelson Wheeler has been re-appointed as the Company's external auditor by shareholders at the 2005 annual general meeting until the conclusion of the next AGM. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the year, the total remuneration payable to the Company's external auditor amounted to HK\$4.4 million of which HK\$1.6 million was incurred for statutory audit and HK\$2.8 million was incurred for non-audit services.

REMUNERATION COMMITTEE

The Remuneration Committee was set up in September 2005, constituted by three independent non-executive Directors, namely, Mr. Chung Kwok Mo, John (Chairman of the Remuneration Committee), Mr. Ng Pui Cheung, Joseph and Mr. Ng Kwai Sang, and two executive Directors, namely, Mr. Li Wei Bo and Mr. Lee Cheuk Yin, Dennis.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

As there has been no change in directorship of the Company since the Remuneration Committee is set out, no meeting of the Remuneration Committee was held during the year ended 31 December 2005.

NOMINATION COMMITTEE

The Company does not have a nomination committee, and the power to nominate or appoint additional Directors is vested on the Board according to the Articles of Association, in addition to the power of the shareholders to nominate any person to become a Director of the Company in accordance with the Articles of Association of the Company and the laws of Hong Kong.

CORPORATE GOVERNANCE REPORT

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. A meeting of the Board was held during the year in connection with the appointment of Mr. Chan Chew Keak, Billy as Director and the resignation of Ms. Zhu Wei Li as Director in January 2005. The nomination procedures basically follow the provisions of the Articles of Association which empowers the Board 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. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The newly appointed Director during 2005 has been provided an induction so as to ensure that he has appropriate understanding of the business and operations of the Group and of the responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. The Company has also adopted a code of conduct governing securities transactions for employees who may possess or have access to price sensitive information. Having made specific enquiry with all Directors, each of them confirms that he has complied in full with the Model Code regarding Directors' securities transactions for the year ended 31 December 2005.