

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as laid down in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2005. None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not in any part of the accounting period covered by the 2005 Annual Report, in compliance with Code except for certain deviations in respect of the followings:-

Under code provision A.2.1 in Appendix 14 of the Listing Rules, (a) the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual, and (b) the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. On 5th July, 2005, the Company appointed Mr. Leung, Wing-pong as chief executive officer. His responsibilities were established and set out in writing, which ensured compliance with the Code.

Under code provisions A.4.1 and A.4.2 in Appendix 14 of the Listing Rules, (a) non-executive directors should be appointed for specific terms and subject to re-election, and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The independent non-executive directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's bye-laws. Under the Company's bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the Chairman or Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors of the Company to retire in each year. Meeting the same objective on re-election at regular intervals as the code provision, the Company shall take the relevant measures towards compliance with the Code.

企業管治常規

截至二零零五年十二月三十一日止整個年度內，本公司已應用香港聯合交易所有限公司（「聯交所」）證券上市規則附錄 14 所載之企業管治常規守則（「守則」）訂明之原則，並遵守有關規定。本公司董事概不知悉有任何資料可合理指出本公司目前或過往於二零零五年度年報涵蓋之會計期間內並無遵守守則，惟下述者除外：

根據上市規則附錄 14 中之第 A.2.1 條守則條文，(a)主席及行政總裁之職位須予區分，且不可由一人同時兼任，及(b)須清楚劃分主席及行政總裁之職能並以書面列明。於二零零五年七月五日，本公司委任梁榮邦先生為行政總裁，並已訂立及以書面列明其職責範圍，確保遵守守則。

根據上市規則附錄 14 第 A.4.1 及 A.4.2 條守則條文，(a)非執行董事須按持定期委任及須膺選連任，及(b)每名董事（包括以持定期委任者）須最少每三年輪席告退一次。本公司獨立非執行董事並非按任何持定期委任，而須根據本公司之公司細則於本公司股東週年大會上輪席告退。根據本公司之公司細則，每屆股東週年大會上，本公司當時三分之一董事（或倘彼等之人數並非三之倍數，則最接近但不多於三分之一）須輪席告退，惟無論此細則所載為何，本公司主席或董事總經理於出任該等職位時毋須輪席告退，亦不會計入釐定每年告退之本公司董事人數之內。為符合守則條文所訂定期重選之目標，本公司將採取有關措施以遵守企業管治常規守則。

CORPORATE GOVERNANCE PRACTICE (Cont'd)

Under code provision B.1.1 in Appendix 14 of the Listing Rules, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authorities and duties. On 24th May, 2005, the Company established the remuneration committee comprising all the three independent non-executive directors of the Company with specific written terms of reference, which ensured compliance with the Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions. The Company has made specific enquiries of all directors whether the directors have complied with the required standard as set out in the Model Code during the year ended 31st December, 2005 and all directors confirmed that they have complied with the Model Code throughout the year.

Board of Directors

The Board comprises Mr Aaron Tam, Chong-cheong, Mr Leung Wing-pong and Mr. Kong, Chi-ming, as executive directors and Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo as independent non-executive directors.

企業管治常規（續）

根據上市規則附錄 14 第 B.1.1 條守則條文，本公司須成立薪酬委員會，並以書面清楚訂明其職權及職責範圍。於二零零五年五月二十四日，本公司已成立薪酬委員會（由本公司全部三名獨立非執行董事組成），並訂立其書面職權範圍，確保遵守守則。

董事進行之證券交易

本公司已採納上市規則附錄 10 所載上市公司董事進行證券交易之標準守則（「標準守則」）作為進行證券交易之行為守則。本公司已就於截至二零零五年十二月三十一日止年度內董事是否遵守標準守則所訂之所須標準而向全體董事作出特別諮詢，而全體董事已確認彼等已遵守標準守則。

董事會

董事會由執行董事譚頌翔先生、梁榮邦先生、江志明先生以及獨立非執行董事梁潤輝先生、林日輝先生及錢其武醫生組成。

Director		No. of Board	
		Meetings Held	Attendance Rate
董事		董事會 會議舉行次數	出席率
Executive Directors	執行董事		
Mr. Aaron Tam, Chong-cheong (<i>Chairman</i>)	譚頌翔先生 (主席)	4/4	100%
Mr. Leung, Wing-pong (<i>Chief Executive officer</i>)	梁榮邦先生 (行政總裁)	4/4	100%
Mr. Kong, Chi-ming (<i>Deputy Chairman</i>)	江志明先生 (副主席)		
(appointed on 22nd July, 2005)	(於二零零五年七月二十二日獲委任)	2/2	100%
Ms. Jackie Shek, Lai-ping	石麗萍女士		
(resigned on 22nd July, 2005)	(於二零零五年七月二十二日辭任)	2/2	100%
Independent Non-executive Directors	獨立非執行董事		
Mr. Leung, Yun-fai	梁潤輝先生	3/4	75%
Mr. Lam, Yat-fai	林日輝先生	4/4	100%
Dr. David Chain, Chi-woo	錢其武醫生	4/4	100%
Average Attendance Rate	平均出席率		95.8%

CORPORATE GOVERNANCE PRACTICE (Cont'd)

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board meets regularly to conduct and approves transactions which are extraordinary and significant to the Group as a whole. The Board has delegated daily operations and administration to management in order to smooth the operation of the Group. Transactions which are in significant amounts or need the instructions of the Board would be referred back to the Board to consider.

During the year, four board meetings have been held. The Company Secretary has duly sent to the directors notice of meeting at least 14 days before the meetings so that they could include matters for discussion in the agenda if needed. The agenda and the board papers would then be sent to the directors at least three days before the date of board meetings. Minutes of the board meetings were kept by the Company Secretary with copies sent to all directors for their records.

In order to reinforce independence, accountability and responsibility, the role of the chairman is separate from that of the chief executive officer. The responsibilities are clearly established and set out in writing. The chairman, Mr. Aaron Tam, Chong-cheong, is responsible for ensuring that the Board is functioning properly, whilst the chief executive officer, Mr. Leung, Wing-pong, is responsible for managing the Group's business. There are no financial, business, family or other material/relevant relationships among members of the Board and between the chairman and the chief executive officer.

The independent non-executive directors who possess appropriate professional qualifications serve the important function of advising the management on strategy development and ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

The Board has received from independent non-executive directors a written annual confirmation of their independence and satisfied their independence in accordance with the Listing Rules. The independent non-executive directors were not appointed for any specific term as they would be subject to retirement by rotation in accordance with clause 87(2) of the Company's bye-laws.

企業管治常規（續）

董事會制定本集團整體發展策略，監控其財務表現，並保持對管理層之有效監督。董事會定期舉行會議，以進行及批准對本集團整體而言屬非經常及重大之交易。董事會將日常運作及行政事務交託予管理層，確保本集團運作暢順。金額龐大或須待董事會指示之交易會交還董事會考慮。

年內，本公司曾四次舉行董事會會議。公司秘書於會議舉行最少 14 日前向董事正式發出會議通知，以便董事可按需要將須予討論事宜納入議程。議程及董事會文件其後會於董事會會議舉行日期最少 3 日前送交各董事。董事會會議之會議紀錄由公司秘書保管，而副本則送交全體董事備存。

為加強獨立性、問責性及職能，主席之角色與行政總裁之角色已作區分。彼等之職能已清楚劃分並以書面列明。主席譚頌翔先生負責確保董事會適當地履行其職能；而行政總裁梁榮邦先生則負責管理本集團之業務。董事會各成員間以及主席與行政總裁之間並無財政、業務、血緣或其他重大／相關關係。

各獨立非執行董事均擁有合適之專業資格，負責以下職能：就策略性發展向管理層提供意見；確保董事會維持財務及其他法定報告方面之良好準則；以及進行足夠監察及平衡工作，保障股東及本公司之整體利益。

董事會已收到各獨立非執行董事就其獨立性發出之確認函，並信納彼等符合上市規則之獨立性規定。獨立非執行董事並非按任何特定任期委任，而須根據本公司之公司細則第 87(2) 條輪席告退。

CORPORATE GOVERNANCE PRACTICE (Cont'd)

*Remuneration Committee***Members**

Mr. Leung, Yun-fai (*Chairman*)

Mr. Lam, Yat-fai

Dr. David Chain, Chi-woo

The Remuneration Committee whose members comprised all the three independent non-executive directors is appointed by the Board to review and endorse remuneration policies of directors and senior management in the light of current trends and business requirements, and to make recommendations to the Board as deemed necessary or to take approved action if within delegated authority. The terms of reference of Remuneration Committee is available on the Company's website.

The Remuneration Committee was established in May 2005 and its first meeting was held on 8th March, 2006 and all members attended. At the meeting the recent pay trend in Hong Kong was reviewed and noted as a reference for the recommendation on the remuneration policies of Directors and staff of the Group.

The Company has adopted a share option scheme on 15th February, 2002, which serves as an incentive to attract, retain and motivate talented eligible staff, including directors. Details of the share option scheme are set out in note 29 to the financial statements.

Nomination Committee

According to the Company's bye-laws, the directors shall have the power from time to time and at any time to appoint any qualified person as director either to fill a causal vacancy on the Board or as an addition to the existing Board. The Board has reviewed the existence practice and shall consider the set up of a nomination committee if needed.

企業管治常規（續）

*薪酬委員會***成員**

梁潤輝先生（主席）

林日輝先生

錢其武醫生

薪酬委員會之成員由全部三名獨立非執行董事組成，由董事會委任，負責因應現行趨勢及業務需求檢討及批准董事及高級管理層之薪酬政策，於其認為需要時向董事會作出建議，並行使其所獲賦與之權力進行經批准之行動。薪酬委員會之職權範圍可於本公司之網站瀏覽。

薪酬委員會於二零零五年五月成立，首次會議於二零零六年三月八日舉行，全體成員均有出席。會上，薪酬委員會檢討香港當時之薪酬趨勢，並將其定為就董事及本集團僱員之薪酬政策作出建議時之參考資料。

本公司於二零零二年二月十五日採納一項購股權計劃，以作為吸引、挽留及鼓舞優秀合資格員工（包括董事）之獎勵。有關購股權計劃之詳情載於財務報表附註 29。

提名委員會

根據本公司之公司細則，董事有權不時於任何時間委任任何合資格人士為董事以填補董事會之臨時空缺，或作為新增董事加入現有董事會。董事會已檢討現行慣例，如有需要，會考慮成立提名委員會。

ACCOUNTABILITY AND AUDIT

The directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flow on a going concern basis. In preparing the accounts for the year ended 31st December, 2005, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made judgments and estimates that are prudent and reasonable. Please refer to the Auditors' Report for the responsibilities of the auditors.

Internal Control

The directors are responsible for maintaining an adequate system of internal control and have to review its effectiveness regularly. The internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from misappropriation, maintain proper accounts and ensure compliance with regulations. During the year, the directors have conducted a preliminary review on the existing internal control system of the Company and consider that the system has effectively safeguard the assets of the Group. The directors will continue to enhance the system to cope with the changes in business environment with reference to the recommendations of the Audit Committee.

Audit Committee

Member	成員	No. of Meetings Held 會議舉行次數	Attendance Rate 出席率
Mr. Lam, Yat-fai (<i>Chairman</i>)	林日輝先生 (主席)	2/2	100%
Mr. Leung, Yun-fai	梁潤輝先生	2/2	100%
Dr. David Chain, Chi-woo	錢其武醫生	2/2	100%
Average Attendance Rate	平均出席率		100%

問責及核數

董事負責按持續經營基準編製每個財政期間會計賬目，以真實及公平地反映本集團之狀況、溢利及現金流量。編製截至二零零五年十二月三十一日止年度之賬目時，董事已選用並貫徹採用合適會計政策，採納適用之香港財務報告準則及香港會計準則，作出審慎合理之判斷及估計。有關核數師之職責，請參閱核數師報告。

內部監控

董事負責維持有效之內部監控系統，並定期檢討其成效。內部監控系統包括組織完善、職權明確之架構，其設計目的在於防止資產被挪用，保證賬目妥為編製，並確保遵行有關規例。年內，董事已初步檢討本公司現行內部監控系統，認為系統有效保障本集團之資產。董事將繼續提升系統質素，並參考審核委員會之建議，以應付營商環境之轉變。

審核委員會

ACCOUNTABILITY AND AUDIT (Cont'd)

The Audit Committee whose members comprised all the three independent non-executive directors is appointed by the Board in May 2005. The roles of the Audit Committee are mainly: (i) to review financial statements of the Group; (ii) to oversee the internal control system; (iii) to review the Company's compliance with statutory, regulatory or legal requirement and Listing Rules; and (iv) to monitor the works of the external auditors. The terms of reference of the Audit Committee is available on the Company's website.

The Audit Committee met twice in 2005 to review with senior management: (i) the financial statements of the Group for the year ended 31st December, 2004 and for the six months ended 30th June, 2005 before submitting them to the Board for approval; (ii) Listing Rules and statutory compliance; and (iii) the effectiveness of internal control systems, and to discuss with the Company's external auditors on scope of audit and audit findings during the year end audit.

In order to enhance the independent reporting by external auditors, part of the meeting held on 15th March, 2005 was attended only by Audit Committee members and external auditors without the Company's senior management being present. No irregularities on the financial statements have been noted from the external auditors and also no management letter has been issued to the Board.

During the year of 2005, the Audit Committee has performed the following works:

- (i) reviewed the financial statements for the year ended 31st December, 2004 and for the six months ended 30th June, 2005;
- (ii) reviewed the effectiveness of the internal control system;
- (iii) reviewed the Company's compliance with the statutory, regulatory or legal requirements and Listing Rules; and
- (iv) discussed with external auditors on scope of audit and audit findings.

The Audit Committee is satisfied with the integrity of the financial statements of the Group and considered that the existing internal control systems works effectively to safeguard the assets of the Group and would review regularly with the Board to enhance the system.

問責及核數（續）

審核委員會之成員全部由三名獨立非執行董事組成，由董事會於二零零五年五月委任。審核委員會之職責主要為：(i)審閱本集團之財務報表；(ii)監察內部監控系統；(iii)檢討本公司有否遵守法定、規管或法律規定及上市規則；及(iv)監察外聘核數師之工作。審核委員會之職權範圍可於本公司之網站瀏覽。

審核委員會於二零零五年曾兩次與高級管理層舉行會議，以：(i)先行審閱在提交董事會批准前本集團於截至二零零四年十二月三十一日止年度及截至二零零五年六月三十日止六個月之財務報表；(ii)檢討有否遵守上市規則及法定規定；及(iii)檢討內部監控系統之成效；並與本公司之外聘核數師討論年終審核之核數範圍及所得結果。

為提高外聘核數師報告之獨立性，二零零五年三月十五日舉行之會議部份時間僅得審核委員會成員及外聘核數師出席，本公司高級管理層並無與會。外聘核數師並無發現財務報表有任何不尋常之地方，故亦無向董事會發出任何管理建議書。

於二零零五年度，審核委員會已進行以下工作：

- (i) 審閱截至二零零四年十二月三十一日止年度及截至二零零五年六月三十日止六個月之財務報表；
- (ii) 檢討內部監控系統之成效；
- (iii) 檢討本公司有否遵守法定、規管或法律規定及上市規則；及
- (iv) 與外聘核數師討論核數範圍及所得結果。

審核委員會信納本集團財務報表屬完整可靠，認為現行內部監控系統有效保障本集團之資產，並將定期協同董事會進行檢討，提升系統質素。

ACCOUNTABILITY AND AUDIT (Cont'd)

Auditors' Remuneration

During the year under review, remuneration payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, for audit services provided for the year ended 31st December, 2005 was HK\$450,000. No non-audit service fee was paid/payable to Messrs. Deloitte Touche Tohmatsu during the year.

DELEGATION BY THE BOARD

The Board has formulated schedule of matters delegated to the management for routine execution of business transactions and has particularly reserved for its decision matters covering major acquisitions and disposals, approval of major capital transactions and other significant operational and financial matters. These arrangements will be reviewed on a periodic basis or revised and updated when there is change of management.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Right

According to the Company's bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act 1981 of Bermuda.

Communications with Shareholders and Investors

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board together with the external auditors is present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions.

問責及核數（續）

核數師酬金

於回顧年度內，就本公司核數師德勤•關黃陳方會計師行於截至二零零五年十二月三十一日止年度提供核數服務應付之酬金為450,000港元。年內並無支付／應付德勤•關黃陳方會計師行任何非核數服務費。

董事會進行之委任事宜

董事會已就委任管理層進行日常業務交易之事宜制訂目錄及在重大收購及出售、批准重大資本交易及其他重大營運及財務事宜方面，董事會特別保留其決定權。上述安排將作定期檢討，或於管理層出現變動時作出修訂及更新。

與股東之溝通

股東權利

根據本公司之公司細則，股東於任何時間內均有權向董事會或公司秘書遞交請求書，要求董事會就處理請求書所述業務交易召開股東特別大會，惟股東於遞交請求書當日須持有不少於十分之一之本公司已繳足資本（於本公司股東大會上具投票權者），而該大會須於請求書遞交日期後兩個月內舉行。倘董事會於請求書遞交日期起計二十一日內未有召開該大會，則該等請求者可按百慕達一九八一年公司法第74(3)條之規定自行召開大會。

與股東及投資者之溝通

董事會認為與全體股東保持良好溝通極為重要。本公司之股東週年大會乃董事會與股東直接溝通之重要渠道。董事會主席連同外聘核數師均會出席，解答股東之疑問。本公司會於舉行股東週年大會前最少21日向全體股東分發股東週年大會通函。當中載有要求進行表決及進行表決之程序，以及與提呈大會之決議案有關之其他資料。

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

Communications with Shareholders and Investors (Cont'd)

Specific enquiries by shareholders requiring the Board's attention can be made in writing to the Company Secretary at the Company's business address in Hong Kong. Other general enquires can be directed to the Company through the Group's Investor Relations Manager. Please refer to the Company's website for contact details.

The Company's website as another channel to further promote effective communication is maintained to provide shareholders with the Group's financial and non-financial information.

與股東之溝通（續）

與股東及投資者之溝通（續）

股東如有須董事會注意之特定查詢，可以書面列出，遞交本公司之香港營業地址予公司秘書。其他一般查詢可交由本集團之投資者關係經理轉交本公司。聯絡詳情請參閱本公司之網站。

本公司之網站為進一步促進有效溝通之另一渠道，向股東提供有關本集團之財務及非財務資料。