

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices as set out in the Code on Corporate Governance Practice (the “Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which became effective on 1 January 2005.

The corporate governance principles of the Company emphasize a quality board of directors, sound internal control, principles and transparency and accountability to all shareholders of the Company. The Company has complied with the Code throughout the accounting period covered by this report except in certain circumstances which are provided and discussed in the latter part of this report.

### BOARD OF DIRECTORS

The directors of the Company (the “Directors”) are collectively responsible for the oversight of the management of business and affairs of the Group of the best interest of the shareholders of the Company. The Board currently comprises a total of six Directors, with three Executive Directors namely Mr Chan How Chung, Victor, Ms Lee Huei Lin and Mr Boo Chun Lon and three Independent Non-executive Directors namely Mr Yuen Wai Ho, Mr On Kien Quoc and Mr Chow Siu Ngor. The biographic details of the Directors are set out on pages 11 to 12.

All Independent Non-executive Directors are financially independent from the Group. The Company confirmed with all Independent Non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

The Board is collectively responsible for the formulating of the Group’s overall strategy, reviewing and monitoring the business performance of the Group, preparing and approving financial statements, recommendation of the Directors’ appointment or re-appointment, considering and approving material contracts and transactions as well as other significant policy and financial matters. The Board also gives clear directions as to the powers delegated to the management for the day-to-day operation and administration functions of the Group.

### 企業管治常規守則

本公司根據香港聯合交易所有限公司證券上市規則（「上市規則」）附錄 14 所載的企業管治常規守則（「該守則」）之規定，致力維持高水平的企業管治。該守則已於二零零五年一月一日生效。

本公司的企業管治原則著重高質素的董事會、健全的內部監控、良好的原則、以及對本公司全體股東的透明度及問責性。本公司在本年報所覆蓋的整個會計期間內一直遵守該守則，惟於本報告稍後部分列載及討論的若干情況則除外。

### 董事會

本公司之董事（「董事」）共同負責監察本集團業務及事務的管理工作，以符合本公司股東的最佳利益。董事會目前由合共六名董事組成，包括三名執行董事陳孝聰先生、李慧玲女士及巫峻龍先生，以及三名獨立非執行董事阮煒豪先生、溫國堅先生及鄒小岳先生。各董事的履歷詳情載於第 11 至 12 頁。

所有獨立非執行董事均在財政上獨立於本集團。本公司已參照上市規則第 3.13 條所載的因素，確認全體獨立非執行董事的獨立性。

董事會共同負責制定本集團的整體策略、檢討及監管本集團的業務表現、編製及審批財務報表、推薦建議委任及重新委任董事、考慮及批准重大合約與交易以及其他重大政策及財務事宜。董事會亦對就本集團日常營運及行政職責授予管理層的權利給予清晰的指引。

There were four board meetings held for the year ended 31 December 2005. The following was an attendance record of the board meetings held by the Board during the year:

截至二零零五年十二月三十一日止年度，董事會曾舉行四次會議。以下為董事會於年內舉行的會議之出席紀錄：

<i>Executive Directors</i>		<i>執行董事</i>	
Chan How Chung, Victor	陳孝聰	4/4	100%
Lee Huei Lin	李慧玲	4/4	100%
Boo Chun Lon	巫峻龍	4/4	100%
<i>Independent Non-executive Directors</i>		<i>獨立非執行董事</i>	
Yuen Wai Ho	阮煒豪	3/4	75%
On Kien Quoc	溫國堅	4/4	100%
Chow Siu Ngor	鄒小岳	4/4	100%

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not at present have a Chairman nor a Chief Executive Officer. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive Officer are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and operations.

## 主席及行政總裁

本公司目前並無主席或行政總裁。然而，為維持董事會管理層與本集團業務及營運之日常管理之職責得以有效區分，主席及行政總裁之主要職務及責任目前由獨立之個別人士根據有關區別責任的書面指引擔任。

To comply with the Code provision, the Company is considering the appointment of a Chairman of the Board and a Chief Executive Officer respectively if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

為遵守該守則之條文，本公司現正考慮於本集團內部或以外物色具備領導才能、知識、技能及經驗的合適人選分別擔任董事會主席及行政總裁職位。

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 September 2005. It currently consists of three Independent Non-executive Directors of the Company namely Mr Yuen Wai Ho, Mr On Kien Quoc and Mr Chow Siu Ngor (as Chairman).

## 薪酬委員會

薪酬委員會於二零零五年九月二十三日成立，目前由三名本公司獨立非執行董事組成，包括阮煒豪先生、溫國堅先生及鄒小岳先生（主席）。

The main responsibilities for the Remuneration Committee are:

薪酬委員會的主要職務如下：

- To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;
- To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management;
- 就有關本公司董事及高級管理層的所有薪酬之政策及結構向董事會作出推薦意見；
- 具有指定的責任以制定全體執行董事及高級管理層的特定薪酬方案；

## Corporate Governance Report (continued)

### 企業管治報告 (續)

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| <p>3. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;</p> <p>4. To review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office;</p> <p>5. To review and approve compensation arrangements relating to dismissal or removal of Directors; and</p> <p>6. To ensure that no Director or any of his associates is involved in deciding his own remuneration.</p> | <p>3. 參考董事會不時決議的公司目標及宗旨以檢討及批准與表現掛鈎的酬金；</p> <p>4. 檢討及批准因執行董事及高級管理層失去職位或終止職務而應付予彼等的賠償；</p> <p>5. 檢討及批准有關解僱或罷免董事的賠償安排；及</p> <p>6. 確保並無董事或其任何聯繫人士參與決定其本身的酬金。</p> |
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There was no meeting held for the year ended 31 December 2005. Nevertheless, the remuneration packages of the Board for the year ended 31 December 2005 had been reviewed by the Remuneration Committee and approved by the Board by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, market conditions elsewhere in the Group and desirability of performance-based remuneration.

截至二零零五年十二月三十一日止年度，薪酬委員會並無舉行會議。然而，董事會截至二零零五年十二月三十一日止年度之董事會薪酬方案已由薪酬委員會作出檢討，並獲董事會批准，當中已考慮多項因素如相類公司所給予的薪金、時間的投入、職責、本集團在其他方面的市場狀況及按表現計薪制的可取性。

### AUDIT COMMITTEE

The Audit Committee was established on 28 September 2000. It currently consists of three Independent Non-executive Directors namely Mr Yuen Wai Ho (as Chairman), Mr On Kien Quoc and Mr Chow Siu Ngor.

### 審核委員會

審核委員會於二零零零年九月二十八日成立，目前由三名獨立非執行董事組成，包括阮煒豪先生（主席）、溫國堅先生及鄧小岳先生。

The main responsible for the Audit Committee is:

審核委員會的主要職務如下：

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| <p>1. To review the accounting principles and practices adopted by the Group; and</p> <p>2. To review the financial reporting process and internal control system of the Group.</p> | <p>1. 檢討本集團採納的會計準則及慣例；及</p> <p>2. 檢討本集團財務報告程序及內部監控制度。</p> |
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There were two Audit Committee meetings held for the year ended 31 December 2005. The following was the attendance record of the Audit Committee meetings held during the year:

<i>Audit Committee Members</i>	審核委員會成員		
Yuen Wai Ho	阮煒豪	2/2	100%
On Kien Quoc	溫國堅	2/2	100%
Chow Siu Ngor	鄒小岳	2/2	100%

The Audit Committee reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The Audit Committee met and discussed with the external auditors on their audit strategy and assessment of the sufficiency of the internal control of the Company.

The Audit Committee recommends the re-appointment of Ting Ho Kwan & Chan as the Group's external auditor for 2006 and that the resolution shall be put forth for the shareholders of the Company to consider and approve at the forthcoming annual general meeting.

### AUDITORS' REMUNERATION

During the year the fees charged by the Company's external auditors, Ting Ho Kwan & Chan to the financial statements of the Company and its subsidiaries for the Group's statutory audit and other services were approximately HK\$341,000 and HK\$5,000 respectively. The non-statutory audit services mainly consist of tax compliance.

### NOMINATION OF DIRECTORS

Company has not formed a Nomination Committee. No director was nominated during the year ended 31 December 2005.

According to the bye-laws of the Company ("Bye-laws"), the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director to fill a casual vacancy or as an addition to the Board. The Board also has the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the Board and such appointment shall be subject to shareholders' approval in general meeting.

截至二零零五年十二月三十一日止年度，審核委員會曾舉行兩次會議。以下為於年內舉行的審核委員會會議之出席紀錄：

審核委員會已檢討外聘核數師的獨立性及客觀性、審核服務範疇及應付外聘核數師的相關審核費用以呈董事會批准。審核委員會亦曾與外聘核數師舉行會議，商討其審核策略及評估本公司內部監控之充足性。

審核委員會推薦建議續聘丁何關陳會計師行為本集團於二零零六年之外聘核數師，有關決議案將於應屆股東週年大會上向本公司股東呈呈以供彼等考慮及批准。

### 審核委員會之酬金

於年內，本公司及其附屬公司已就本公司外聘核數師丁何關陳會計師行為本集團提供的法定審核及其他服務自彼等財務報表中收取的費用分別約為 341,000 港元及 5,000 港元。非法定審核服務主要包括稅務諮詢事宜。

### 提名董事

本公司並無成立提名委員會。截至二零零五年十二月三十一日止年度，概無提名任何董事。

根據本公司之公司細則（「公司細則」），本公司可不時於股東大會上以普通決議案方式選舉任何人士為董事，以填補臨時空缺或增添董事會成員。董事會亦有權委任任何人士為董事，以填補臨時空缺或增添董事會成員，而有關委任須在股東大會上獲得股東批准。

### DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2005, 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 as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

### COMPLIANCE WITH THE CODE PROVISIONS

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), except that:

- (a) Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently the Independent Non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Bye-laws.
- (b) Under Code Provision A.4.2, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws, (i) at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation save any director holding office as Chairman or Managing Director; and (ii) any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

### 董事進行之證券交易

截至二零零五年十二月三十一日止年度，本公司已採納上市規則附錄十所載之上市公司董事進行證券交易的標準守則（「標準守則」），作為董事進行本公司證券交易的守則。經作出特定查詢後，全體董事確認於年內彼等已一直遵守標準守則所規定的標準。

### 守則條文之遵守

董事概不知悉任何資料合理顯示，本公司於期內之任何時間並無或曾無遵守聯交所證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則，惟以下條文除外：

- (a) 守則條文 A.4.1 條規定非執行董事須按特定任期委任，並須重選。現時，獨立非執行董事並無指定任期，惟須根據公司細則之規定於本公司之股東週年大會上輪值告退。
- (b) 根據守則條文 A.4.2 條，所有獲委任填補臨時空缺之董事，須於其獲委任後首個股東大會上由股東推選。所有董事（包括按特定年期委任者）須至少每三年輪值退任一次。

根據公司細則，(i)於每屆股東週年大會上，除擔任主席及董事總經理之董事在任職時毋須輪值退任外，當時三分之一董事（如人數並非三或三之倍數，則為最接近三分之一）須退任；及(ii)任何獲委任以填補臨時空缺之董事可留任至本公司下一屆股東週年大會，並於會上膺選連任。

(c) Under Code Provision E.2.2, all proxy votes should be counted. According to the Bye-laws, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorized corporate representative shall have one vote, and on a poll every shareholder present in person or by a duly authorized corporate representative or by proxy, shall have one vote for every fully paid up share.

(c) 根據守則條文 E.2.2 條，所有委任代表投票應予計算。根據公司細則，於任何股東大會上，以舉手方式表決時，每位親身出席或由正式獲授權公司代表出席之股東均可投票。以股數投票方式表決時，每位親身出席或由正式獲授權公司代表出席之股東或其委任代表，每持有一股已繳足股款之股份將有一票投票權。

The Company has received the current situation and will propose appropriate amendments to its current Bye-laws for adoption by its shareholders at the forthcoming annual general meeting, in order to ensure compliance with this code provision and consistency with the Bye-laws.

本公司已檢討現有情況並建議對其公司細則作出適當修訂，及提呈供其股東於下一次股東週年大會批准採納，以確保符合該守則條文及貫徹公司細則。

### **DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2005, the Directors have adopted suitable accounting policies which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis.

### **董事及核數師就財務報表所承擔的責任**

董事知悉編製真實兼公平反映本集團事務狀況之各財政年度財務報表，乃彼等之責任。於編製截至二零零五年十二月三十一日止年度之財務報表時，董事已採納涉及本集團業務及與財務報表有關之適當會計政策、作出審慎及合理之判斷及估計，並已按持續經營基準編製財務報表。

The responsibilities of the Directors for the financial statements and those for the auditors to the shareholders are set out on page 29.

董事就財務報表所承擔的責任及核數師對股東所負的責任載於第 29 頁。

### **INTERNAL CONTROLS**

To protect its assets and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public, the Company conducts regular reviews of the effectiveness of the Group's internal controls. The scope of these reviews includes, among others, finance, operations, regulation compliance and risk management.

### **內部監控**

本公司定期檢討本集團內部監控系統的成效，以保障其資產及確保其業務上使用或向外公佈的財務資料正確可靠。有關檢討涵蓋範圍包括財務、營運、規則遵守及風險管理。