

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules (the “Code on Corporate Governance Practices”) during the period under review. In compliance with the code provision A.4.2, the amendments to the Company’s Articles were passed in the 2005 annual general meeting of the Company which was held on 25 August, 2005. The Company’s Articles was amended to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In the opinion of the directors, the Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance Practices with the following deviation:

Code A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term and subject to re-election. The term of office for non-executive directors and independent non-executive directors are not specific but are subject to retirement by rotation at least once every three years at the annual general meeting but are eligible for re-appointment.

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 Code.

The Board is charged with overseeing the business and affairs of the Group that aims at enhancing the Company’s value to shareholders.

The Board serving the important function of guiding the management, currently comprises:

- (a) eight executive directors, namely Mr Chiang Pedro (Chairman), Mr Law Kar Po (Vice Chairman), Mr. Wu Ka I, Miguel (Chief Executive Officer), Mr. Hoi Man Pak, Mr. Ung Choi Kun, Mr. Lee Sam Yuen, John, Ms Law Wing Yee, Wendy and Ms. Lee Siu Yuk, Eliza;
- (b) two non-executive directors Mr Alves, Leonel Alberto and Mr. Chui Sai Cheong; and
- (c) three independent non-executive directors (“INEDs”) required under Rule 3.10(1) of the Listing Rules, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Wong King Lam, Joseph whom represent approximately 23% of the Board. Two INEDs are having appropriate professional qualifications, accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size is adequate for its present operations.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the INEDs has made annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment.

The Directors as aforesaid, accompanied by their respective biographical detail, are listed in the section of Directors and Senior Management in this annual report and that the INEDs are expressly identified in all of the Company's publication such as circulars, announcements and/or relevant corporate communications in which the names of Directors of the Company are disclosed.

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the period under review, the Board has reviewed, inter alia, the performance of the Group and formulated business strategy of the Group; reviewed and approved the interim and final results of the Group for the period ended 31 December 2005; approved the Group's acquisitions exercises; approved the change of principal place of address of the Company in Hong Kong; approved the change of the year end date of the Company; approved the change of the Company's name; and reviewed internal controls taken by the Group.

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Articles of the Company allows board meetings to be conducted by way of telephone or video conference and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has conflict of interest. The Board held totally 12 Board meetings during the period under review.

In the said Board meetings, sufficient notices for regular board meetings and reasonable days for non-regular board meetings were given to all Directors so as to ensure that each one of them had an opportunity to attend the meetings, and agendas accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Sufficient information was also supplied by the management to the Board enabling it to make decisions to the best interests of the Company.

In considering the nomination of a new director, the Board will take into account the qualification, in particular as required in the Listing Rules, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to new director.

**Attendance Record of individual Directors at meetings from 1 April 2005 to 31 December 2005**

	Board	Attendance Rate
<b>Number of Meetings</b>	12	
<b>Executive Directors</b>		
CHIANG Pedro (Chairman, appointed on 22 July 2005)	7/9	78%
LAW Kar Po (Vice Chairman)	8/12	67%
WU Ka I, Miguel (CEO, appointed on 22 July 2005)	8/9	89%
HOI Man Pak (appointed on 22 July 2005)	6/9	67%
UNG Choi Kun (appointed on 22 July 2005)	5/9	56%
LEE Sam Yuen, John	0/12	0%
LAW Wing Yee, Wendy	9/12	75%
LEE Siu Yuk, Eliza	12/12	100%
WONG Yuk Kwan (resigned on 29 June 2005)	1/1	100%
<b>Non-executive Directors</b>		
Leonel Alberto ALVES (appointed on 25 August 2005)	0/6	0%
CHUI Sai Cheong (appointed on 25 August 2005)	0/6	0%
WONG Alfonso (resigned on 25 August 2005)	0/6	0%
<b>INEDs</b>		
LAU Wai Ming (appointed on 1 August 2005)	2/8	25%
KWOK Hong Yee, Jesse (appointed on 25 August 2005)	1/6	17%
WONG King Lam, Joseph (appointed on 25 August 2005)	1/6	17%
CHAN Nim Leung, Leon (resigned on 31 July 2005)	2/4	50%
HA Kee Choy, Eugene (resigned on 25 August 2005)	2/6	33%
NG Kai Man, Luke (resigned on 25 August 2005)	1/6	17%

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Code provision A2.1 stipulated the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing.

Mr Chiang Pedro has been the Chairman and Mr. Wu Ka I, Miguel has been the Chief Executive Officer of the Company. Their respective responsibilities are clearly set out in writing and approved by the Board.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including two with financial management expertises.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

## DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the period from 1 April 2005 to 31 December 2005 have been reviewed by the Audit Committee and audited by the external auditors, CCIF CPA Limited. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner. The Board is pleased to report that, so far, the final and interim results of the Group are announced within the four months and three months limit respectively after the end of the relevant periods.

## BOARD COMMITTEE

### Audit Committee

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The written terms of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and was amended in accordance with Appendix 14 of the Listing Rules. The Audit Committee, comprises three INEDs, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Wong King Lam, Joseph, met regularly during the financial period. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2005 and the audited results for the nine months ended 31 December 2005. The chairman of the Audit Committee is Mr. Wong King Lam, Joseph, who is a qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company.

### Attendance Record of Audit Committee Meetings from 1 April 2005 to 31 December 2005

	Audit Committee	Attendance Rate
<b>Number of Meetings</b>	3	
LAU Wai Ming (appointed on 1 August 2005)	2/2	100%
KWOK Hong Yee, Jesse (appointed on 25 August 2005)	2/2	100%
WONG King Lam, Joseph (appointed on 25 August 2005)	2/2	100%
CHAN Nim Leung, Leon (resigned on 31 July 2005)	1/1	100%
HA Kee Choy, Eugene (resigned on 25 August 2005)	1/1	100%
NG Kai Man, Luke (resigned on 25 August 2005)	1/1	100%

## Compensation Committee

The Compensation Committee was established for the purposes of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written terms of reference which describes the authority and duties of the Compensation Committee was prepared and adopted during the period under review. The Compensation Committee comprises one executive Director (Mr. Chiang Pedro, the chairman of the Compensation Committee) and three INEDs (Mr. Wong King Lam, Joseph, Mr. Lau Wai Ming and Mr. Kwok Hong Yee, Jesse). The Compensation Committee has not met during the period from 1 April 2005 to 31 December 2005.

## Nomination Committee

The Nomination Committee was established for the purposes of reviewing the structure, size and composition of the board as well as identifying individuals suitable and qualified to become board members. The written terms of reference which describes the authority and duties of the Nomination Committee was prepared and adopted during the period under review. The Nomination Committee comprises one executive Director (Mr. Chiang Pedro, the chairman of the Nomination Committee) and three INEDs (Mr. Wong King Lam, Joseph, Mr. Lau Wai Ming and Mr. Kwok Hong Yee, Jesse). The Nomination Committee had not held any meeting during the period from 1 April 2005 to 31 December 2005.

## INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than to eliminate risks of failure when business objectives are sought.

## INVESTOR RELATIONS

During the period under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and final reports. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments.

## COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman as well as Chairman of the Audit Committee and Chairman of the Compensation Committee are pleased to answer shareholder's questions.

Separate resolutions are proposed at general meetings on each substantially separate issue.

Details of poll/voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidate standing for re-election.