

# Corporate Governance Report

The Company has adopted the code provision set out in the Code on Corporate Governance Practices (the “CG Code”) contained 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.

## BOARD OF DIRECTORS

The board of directors (the “Board”) is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

### Board Composition

The Board comprises (i) four executive directors, namely Madam Foo Kam Chu, Grace (“Mrs. Chan”), Ms. Chan Wai Ling (who is the daughter of Mrs. Chan), Mr. Tse Chun Kong, Thomas and Mr. Kwan Chai Ming; (ii) two non-executive directors, namely Mr. Liu Hanbo and Mr. Meng Qinghui; and (iii) three independent non-executive directors, namely Mr. Heng Kwo Seng, Mr. Kwan Kai Cheong and Ms. Ho Suk Yin.

The biographies of the directors are set out in pages 5 to 6, which demonstrate a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

### Board Meetings and Attendance

The Board has four scheduled meetings a year and meets as and when required. During the year ended 31 December 2005, the Board held four meetings. The attendance of the directors at the board meeting is as follows:

Directors’ attendance at board meetings

Directors	Attendance
Madam Foo Kam Chu, Grace	4/4
Ms. Chan Wai Ling	4/4
Mr. Tse Chun Kong, Thomas	4/4
Mr. Kwan Chai Ming	4/4
Mr. Liu Hanbo	4/4
Mr. Meng Qinghui	4/4
Mr. Heng Kwo Seng	4/4
Mr. Kwan Kai Cheong	4/4
Ms. Ho Suk Yin	4/4

# Corporate Governance Report

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

## **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

Under the present bye-laws of the Company (the "Bye-laws"), Madam Foo Kam Chu, Grace, being Chairman of the Company, is not subject to retirement by rotation. While this is not in compliance with the CG Code requirement that every director must retire by rotation at least once every 3 years, a special resolution will be proposed to amend the relevant Bye-laws for adoption at the forthcoming annual general meeting so as to ensure the compliance of CG Code requirement.

Non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

## **RESPONSIBILITIES OF DIRECTORS**

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all directors, the Company confirms that all the directors have complied with the Model Code.

## **SUPPLY OF AND ACCESS TO INFORMATION**

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting.

All directors are entitled to have access to board papers, minutes and related materials.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

In determining the remuneration level and packages to the directors, the Company took into account the prevailing practices and trends and to reflect on the time commitment, duties and responsibilities of the directors and their contributions to the Company and the Group. Long term inducements in the form of share options and performance bonuses were also employed.

The Remuneration Committee of the Board was set up on 12 September 2005 with written terms of reference.

# Corporate Governance Report

Its function is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. It also recommends to the Board on remuneration and compensation levels of individual directors and those for members of senior management.

The Remuneration Committee consists of five directors, namely, Ms. Chan Wai Ling, Mr. Kwan Chai Ming, Mr. Heng Kwo Seng, Mr. Kwan Kai Cheong (being chairman of the Remuneration Committee) and Ms. Ho Suk Yin.

During the year, the Remuneration Committee met once with full attendance to review and recommend (with the relevant directors where applicable abstained from voting as far as his/her own remuneration is concerned so that no director would decide on his/her own remuneration) the remuneration level of executive directors.

Director	Attendance
Mr. Kwan Kai Cheong	1/1
Ms. Chan Wai Ling	1/1
Mr. Kwan Chai Ming	1/1
Mr. Heng Kwo Seng	1/1
Ms. Ho Suk Yin	1/1

## AUDIT COMMITTEE

The Audit Committee of the Board comprises of three independent non-executive directors, namely Mr. Heng Kwo Seng (being chairman of the Audit Committee), Mr. Kwan Kai Cheong and Ms. Ho Suk Yin. Both Mr. Heng Kwo Seng and Mr. Kwan Kai Cheong are senior professional accountants possess professional accountancy qualification.

The Audit Committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting including the interim and final results of the Company. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the audit of the Group.

During the year, the Audit Committee met twice with full attendance. The interim results for the six months ended 30 June 2005 and the final results for the year ended 31 December 2005 and the proposal for the declaration of the final dividend for the year ended 31 December 2005 have been reviewed and recommended by the Audit Committee.

Director	Attendance
Mr. Heng Kwo Seng	2/2
Mr. Kwan Kai Cheong	2/2
Ms. Ho Suk Yin	2/2

## AUDITORS' REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK\$1,176,000 and HK\$432,000 respectively.

# Corporate Governance Report

## **DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.