

CORPORATE GOVERNANCE REPORT

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the “Board”) is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders and other stakeholders.

The Company has complied with the all Code Provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2005 except the following:

1. The positions of chairman and chief executive officer of the Company are held by Mr. Yu Pen Hung. The Board believes that such arrangement facilitates efficient and effective planning and implementation of business strategies. Mr. Yu possesses extensive experience in the IT business which is invaluable for the Group. The Board has confidence in Mr. Yu and believes that the dual role is beneficial to the Group.
2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and every Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the Company’s existing Articles of Association (the “Articles of Association”).
3. According to the Articles of Association, not exceeding one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. However, pursuant to the Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) should retire from office by rotation and be eligible for re-election at the annual general meeting of the Company.

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MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board comprises five members, including Chairman (who is also the Chief Executive Officer), one Executive Director and three Independent Non-executive Directors. Biographical details of the Directors are set out in the section of “Biographical Details of Directors and Senior Management” on pages 11 to 12.

The Board is responsible for approving and monitoring the Group’s strategies, policies and business plans, reevaluating the performance of the Group and supervising the work of management. The management is responsible for the daily operations of the Group under the leadership of the Chief Executive Officer.

For a Director to be considered as independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and considers the Independent Non-Executive Directors to be independent.

The roles of the Chairman and the Chief Executive Officer are both held by Mr. Yu Pen Hung. The reasons had been explained in the first exception under the section of “the Code of Best Practice and Code on Corporate Governance Practices” in the Corporate Governance Report.

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REMUNERATION COMMITTEE

The Remuneration Committee was formed in December 2005. The Remuneration Committee consists of solely Independent Non-executive Directors and its members are:

Mr. Yim Hing Wah – Chairman of the Committee
Ms. Hu Gin Ing – Secretary of the Committee
Dr. Liu James Juh

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and key executives.

No Directors can determine their own remuneration package. The Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference which are set out in accordance with the requirements of the Listing Rules.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for 2005 are shown in Note 11 to the financial statements.

AUDIT COMMITTEE

The Audit Committee was formed to review and supervise the financial reporting process and internal controls of the Company. The Audit Committee comprises solely the three Independent Non-executive Directors and one of whom possesses the appropriate business and financial experience and skills to understand the accounts of the Group. The Committee is chaired by Dr. Liu James Juh.

Under its terms of reference, which were prepared and adopted with reference to the Code and "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of internal controls of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determine is necessary and to perform investigations.

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DIRECTORS ATTENDANCE AT BOARD, REMUNERATION COMMITTEE AND AUDIT COMMITTEE MEETINGS

Directors	Attendance/Number of Meetings Held		
	Full Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Executive Directors			
Mr. Yu Pen Hung	4/4	N/A	N/A
Ms. Lee Ran, Elizabeth	4/4	N/A	N/A
Independent Non-executive Directors			
Dr. Liu James Juh	4/4	4/4	0/0
Ms. Hu Gin Ing	4/4	4/4	0/0
Mr. Yim Hing Wah	4/4	4/4	0/0

NOMINATION OF DIRECTORS

The Board has established formal procedures for the appointments of new Directors and re-nomination and re-election of Directors at regular intervals. In accordance with the Company's Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) should retire from office by rotation and be eligible for re-election at the annual general meeting of the Company.

AUDITORS' REMUNERATION

The amount of audit fee for the year ended 31 December 2005 was HK\$1,050,000. Deloitte Touche Tomatsu, the auditors of the Group, also provided non-audit services including taxation and reorganization services to the Company for the year ended 31 December 2005. The Audit Committee is of the view that the auditors' independence is not affected by the services rendered.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts of the Group. With the assistance of the accounting department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that the accounts of the Group have been properly prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the accounts of the Group is in a timely manner.

A report of the independent auditors on the Group's accounts is set out in this annual report.