



The Group is committed to achieving and maintaining the standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules as promulgated by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") came into effect for the reporting year commencing on 1 January 2005 (save for the provisions on internal controls which came into effect for accounting period commencing from 1 July 2005 onwards). The Group complied all requirements of the Code, with deviation from code provisions as follows:

- (i) During the year, 14 board meetings were held, 14 days notices were given to two board meetings and all directors agreed to waive or to be given a shorter notice on other board meetings;
- (ii) Currently, under S87(1) of the Company's bye-laws, the Chairman and the Chief Executive Officers are not subject to retirement. A special resolution is to be proposed in the forthcoming shareholders' meeting to amend the bye-laws of the Company, so that all directors are subject to re-election at regular intervals. In the spirit of good corporate governance practices, both the Chairman and the Chief Executive Officer of the Company have agreed to retire in the forthcoming annual general meeting of the Company notwithstanding that they are not required to do so by the bye-laws and being eligible, will offer themselves for re-election;
- (iii) Under the Code, non-executive directors should be appointed for a specific term and should be subject to re-election. No written services contract was entered with the four Non-executive Directors of the Company during the year. However, written services contracts have been entered with the four Non-executive Directors of the Company in April 2006, under which all are for a term of three years but subject to their appointment by the Company at general meeting upon retirement by rotation pursuant to the bye-laws of the Company.

The Board of Directors

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, to oversee the management and to evaluate the performance of the Group.

The Board of Directors of the Company comprises:

Executive Directors:

- Yung YEUNG, *Chairman*
- Chunhua HUANG, *Deputy Chairman*
- Jun LI, *Chief Executive Officer*
- Wing Tak Jack LAW
- Yuwen SUN

Non-executive Director: Chizuko KUBO

Independent Non-executive Directors:

- Ho Yip LEE
- Jian WANG
- Bangjie HE

Mrs. Chizuko Kubo has been re-designated as a Non-executive Director of the Company with effect from 21 April 2006.



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All Directors are regularly updated on governance and regulatory matters. There is a procedure for Directors to obtain independent professional advice at the expenses of the Company in the furtherance of his duties.

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Mr. Chunhua Huang will retire by rotation in accordance with clause 87(1) and (2) of the bye-laws of the Company will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

Mrs. Chieuko Kubo, being Director appointed by the Board will retire at the forthcoming annual 'general meeting and being eligible, will offer herself for re-election.

The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. For the year ended 31 December 2005, fourteen board meetings were held, of which four were regular. The individual attendance of each Director is set out below:

Name of Director	No. of board meetings attended	Attendance Rate
Yung YEUNG	9/14	64%
Chunhua HUANG	11/14	79%
Jun LI	12/14	86%
Wing Tak Jack LAW	12/14	86%
Yuwen SUN	10/14	71%
Chizuko KUBO	2/14	14%
Ho Yip LEE	4/14	29%
Jian WANG	6/14	43%
Bangjie HE	4/14	29%

When the Board considers any material transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interest and is required to abstain from voting.

All businesses transacted at the board meetings were well-documented. Minutes of the board meetings are taken by the Company Secretary and are available to all Directors.

Chairman and Chief Executive Officer

The Board appointed Mr. Yeung Yung as the Chairman, who is responsible for the leadership and effective running of the Board to achieve its primary responsibilities. With the support of the Executive Directors and the Company Secretary, the Chairman seek to ensure that all Directors are properly briefed on issues arising at board meetings and that all Directors receive adequate and reliable information on a timely manner. The Chairman also encourages Directors to be fully engaged in the Board's affair and make contribution to the Board's functions.



The Board appointed Mr. Li Jun as the Chief Executive Officer who is responsible for leading the management in implementing the strategies and plans adopted by the Board. He is also delegated with the responsibilities of investor relation and public relation of the Company.

Board Composition

The Board comprises of five Executive Directors and four Non-executive Directors. Of the four Non-executive Directors, three of them are Independent Non-executive Directors, which represent one-third of the Board. In addition, one of the three Independent Non-executive Directors possesses appropriate accounting qualifications and financial management expertise. The Directors are considered to have a balance of knowledge and experience appropriate for the requirements of the business of the Group. The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independent criteria as required by the Listing Rules.

Independence of Independent Non-executive Directors

Pursuant to the requirement of the Rule 3.13 of the Listing Rules, the Board confirmed that the Company has received written confirmation from each of all three Independent Non-executive Directors of their independence and considers them to be independent throughout the year.

Model Code for Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rule regarding Directors' securities transactions. Based on specific enquiry of all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2005.

Nomination Committee

The Company has a Nomination Committee to ensure that fair and transparent procedures for the appointment, re-election and removal of directors to the Board. The Nomination Committee comprises of Mr. Wang Jian and Mr. He Bangjie, both are Independent Non-executive Directors and the chairman of the Nomination Committee is Mr. Yeung Yung.

The Nomination Committee had one meeting during the year ended 31 December 2005, which were attended by all members. The Nomination Committee made recommendation to the Board to amend the Company's bye-laws to ensure that all directors are subject to retirement by rotation. Under the existing bye-laws of the Company, the Chairman and the Chief Executive Officer are not subject to retirement.

Remuneration Committee

The Company has set up the Remuneration Committee ensuring that there are formal and transparent procedures for setting policies on the remuneration of the Directors and senior management. The Remuneration Committee is comprised of two Independent Non-executive Directors, Mr. Wang Jian and Mr. He Bangjie, and the chairman of the Remuneration Committee is Mr. Yeung Yung. Four meetings were held and attended by all members during the year ended 31 December 2005.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the Code. No Director is involved in deciding his own remuneration.



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Audit Committee

The Company established an Audit Committee with reference to “A Guide from the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the terms set up in the Code.

The Audit Committee comprises all three Independent Non-executive Directors, and the chairman of the Audit Committee, Mr. Lee Ho Yip possesses a professional accountancy qualification and has substantial experience in accounting and financial matters.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company’s auditors in matters concerning the Group’s audit.

Two meetings were held during the year ended 31 December 2005. The individual attendance of each member is set out below:

Name of Member	No. of committee meetings attended
Ho Yip LEE	2/2
Jian WANG	1/2
Bangjie HE	1/2

The Group’s interim report of the six months to 30 June 2005 and the annual report for the year ended 31 December 2005 have been reviewed by the Audit Committee and with recommendation to the Board for approval.

Auditors’ Remuneration

The audit services of approximately HK\$850,000 and other services of approximately HK\$50,000 were incurred for the year ended 31 December 2005.

Directors’ Responsibility For the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Control

The Board is responsible for the Group’s system of internal control and for reviewing its effectiveness and has reviewed the effectiveness of the system. With the recent acquisition of APG Group, the management, on behalf of the Board, will undertake the internal control process in the second quarter of 2006. This will cover all material controls, including financial, operational and compliance controls and risk management functions.



Communication with Shareholders

Shareholders are encouraged to attend shareholders' meetings. The Chairman and/or the Directors are available to answer questions on the Group's businesses at the meetings. In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the chairman of that meeting. Shareholders are also informed the procedure to demand voting by poll.