

CORPORATE GOVERNANCE REPORT

COMMITMENT TO CORPORATE GOVERNANCE

The Company is firmly committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The board ("Board") of directors ("Directors") of the Company ensures that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has complied with the Code Provisions under the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2005 (the "year under review"), save for the deviations discussed below. The following sections set out a discussion of the corporate governance practices adopted and observed by the Company, including any deviations therefrom, during the year under review.

A. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. All the Directors confirmed, upon specific enquiry made by the Company on them, that they had complied with the required standard set out in the Model Code regarding their securities transactions.

B. Board of Directors

(i) Board composition

The Board currently comprises a combination of executive Directors and independent non-executive Directors. As at 31 December 2005, the Board consisted the following Directors:

Executive Directors

Mr. Tam Jin Rong (*Chairman*)

Mr. Tam Kai On

Mr. Tao Ke Wei

Independent non-executive Directors

Mr. Huang Shou Deng

Mr. Lau Kwok Wah

Mr. Tsui Wing Tak

Mr. Ko Chung Ting Peter, the executive director of the Company resigned on 31 May 2005, and Mr. Choy Sai Man, the independent non-executive director of the Company also resigned on 31 May 2005. Mr. Tsui Wing Tak was appointed as the independent non-executive director of the Company on 1 July 2005.



CORPORATE GOVERNANCE REPORT

Schedules of matters reserved for the Board include:

- Strategy and management
- Group structure and capital
- Financial reporting and control
- Internal controls
- Contracts
- Communication
- Board membership and other appointments
- Remuneration
- Authority and delegation
- Corporate governance
- Policies
- Others

(ii) *Board meetings and attendance record*

The Company held eleven meetings during the year under review. The attendance record of the Board meetings is as follows:

Members of the Board	Meeting attended
Chairman	
Mr. Tam Jin Rong	8/11
Executive Directors	
Mr. Tam Kai On	11/11
Mr. Tao Ke Wei	11/11
Independent non-executive Directors	
Mr. Huang Shou Deng	2/11
Mr. Lau Kwok Wah	4/11
Mr. Tsui Wing Tak	3/11

The resigned executive Director, Mr. Ko Chung Ting Peter attended five meetings during his directorship. The resigned independent non-executive Director, Mr. Choy Sai Man did not attend any meeting during his directorship.

CG Code Provision A.1.3 stipulates that notices of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meeting, reasonable notice should be given. During the year ended 31 December 2005, not all notices of regular Board meetings were issued to the Directors at least 14 days prior to the relevant Board meeting. The Company will strive to comply with such notice requirement in the future.



CORPORATE GOVERNANCE REPORT

(iii) *Independent non-executive Directors*

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors during the year under review. All independent non-executive Directors brought their wealth of experience to the Board and made active contribution to the Group. They closely monitored the developments of the Group and freely expressed their opinions at board meetings. One of the independent non-executive Directors, Mr. Tsui Wing Tak, held a bachelor's degree in economics from Macquarie University, Australia and was a member of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. He had over 12 years of experience in auditing, accounting and financing which satisfy the requirements of Rule 3.10(2) of the Listing Rules.

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. However, the independent non-executive Directors for the year ended 31 December 2005 were not appointed for a specific term but were subject to the retirement and rotation requirements in accordance with the Company's Bye-laws.

All independent non-executive Directors, do not have any business or financial interests with the Group and each of them have confirmed their independence to the Group pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors were independent.

(iv) *Relationship among members of the Board*

There is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. All of them are free to exercise their independent judgment.

C. Chairman and chief executive officer

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company did not segregate the roles of the chairman and chief executive officer. The role of the chief executive officer was performed by Mr. Tam Jin Rong, who was the then existing chairman of the Company during the year under review. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

D. Remuneration of Directors

The Company established a remuneration committee on 21 December 2005 with written terms of reference in compliance with the CG Code. Members of the remuneration committee as at 31 December 2005 comprised Mr. Tam Jin Rong, Mr. Lau Kwok Wah and Mr. Tsui Wing Tak. A majority of the votes in the remuneration committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.



CORPORATE GOVERNANCE REPORT

The main duties of the remuneration committee are as follows:

- To determine the remuneration policy of the Group
- To determine the remuneration of executive Directors upon consultation with the Chairman regarding their proposals for such remuneration
- To review and approving all equity based plans
- To review the appropriateness and relevance of the remuneration policy
- To approve the performance related pay schemes operated by the Group
- To review all share incentive plans for approval by the Board
- To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

As the remuneration committee was only established in December 2005, the remuneration committee did not hold any meeting during the year under review.

The current members of the remuneration committee are Mr. Zhou Yaoming (Chairman), Ms. Zhu You Chun and Mr. So Yin Wai.

E. Nomination of Directors

The Company established a nomination committee on 21 December 2005. Members of the nomination committee as at 31 December 2005 comprised Mr. Tam Jin Rong, Mr. Tam Kai On, Mr. Tao Ke Wei, Mr. Lau Kwok Wah and Mr. Tsui Wing Tak.

The nomination committee shall meet before the annual general meeting of the Company, or at other times as required by the chairman of the nomination committee.

The main duties of the nomination committee are as follows:

- To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
- To evaluate the balance of skills, knowledge and experience of the Board
- To identify and nominate any candidate for the Board's approval
- To make recommendations for the appointment and removal of the Chairman or any Director
- To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
- To report to the Board on its proceedings after each meeting.

As the nomination committee was established only in December 2005, the nomination committee has not held any meeting during the year under review.

The Group will consider the background, experience and qualification of any proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director of the Company.

The current members of the nomination committee are Ms. Zhu You Chun (Chairman), Mr. Zhou Yaoming and Mr. Yip Wai Leung Jerry.



CORPORATE GOVERNANCE REPORT

F. Auditors' remuneration

No non-audit service was provided by the Group's external auditors during the year under review. As at 31 December 2005, the fee payable to the external auditors of the Company in respect of the audit services were HK\$600,000.

G. Audit committee

As at 31 December 2005, the audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Huang Shou Deng, Mr. Lau Kwok Wah and Mr. Tsui Wing Tak. Mr. Tsui Wing Tak has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment. Mr. Choy Sai Man resigned from the office of independent non-executive Director and a member of the Audit Committee from 31 May 2005.

The current members of the Audit Committee are Mr. So Yin Wai (Chairman), Mr. Zhou Yaoming and Ms. Zhu You Chun, all being independent non-executive Directors.

The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meeting may also be held by the committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
- To discuss with the external auditors the nature and scope of the audit
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard
- To develop and implement policy on the engagement of an external auditors to supply non-audit services
- To review the Group's interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
- To review the external auditors' management letter and the management's response
- To review the Group's statement on internal control system prior to endorsement by the Board
- To consider the major findings of any internal investigation and the management's response
- To consider other topics, as defined by the Board



CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year under review. The attendance record of the Audit Committee meetings for the year under review is as follows:

Members of the Audit Committee	Meeting attended
Mr. Huang Shou Deng	2/2
Mr. Lau Kwok Wah	2/2
Mr. Tsui Wing Tak	1/2

Mr. Choy Sai Man who resigned on 31 May 2005 did not attend any Audit Committee meeting during the year.

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the financial results and internal control system of the Group.

CG Code Provision C.3.3 stipulates the terms of reference of the Audit Committee. The terms of reference of the Audit Committee of the Company have not been fully documented in accordance with the CG Code. The Board will consider to adopt a new terms of reference of the Audit Committee which comply with the requirements of CG Code Provision C.3.3 in the coming financial year.

H. Directors' and auditors' acknowledgement

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year under review.

By order of the Board
Yip Wai Leung Jerry
Chairman

Hong Kong, 21 April 2006

