

CORPORATE GOVERNANCE REPORT

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 14 Code on Corporate Governance (“the Code”) of 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. This report describes its corporate governance practices and explains the applications of the principles on the Code of the Listing Rules except for the deviations from Code Provisions A.2.1, A.4.1, B.1.4 and C.3.4 which are explained in the relevant paragraphs as below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (“the Model Code”). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

The Board comprises a total of six Directors, of whom three are executive Directors and three are Independent Non- executive Directors. Half of the Board is Independent Non-executive Directors and one of them has appropriate professional qualifications. Reviews are made regularly of the Board composition to ensure that it has a balance of expertises, skills and experience appropriate for the requirements of the business of the Company. All Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group’s overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure the Board acts in the best interests of the Group.

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board’s approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

During the year ended 31 December 2005, the Board met and held five meetings in April, June, July, September and December 2005. The attendance records of the abovementioned five Board meetings are as follows:

Directors	Attendance
Executive Directors:	
Tsang Wai Lun, Wayland	5/5
Kwok Wai Man, Nancy	5/5
Lau Tam Wah	4/5
Independent Non-executive Directors	
Hui Pui Wai, Kimber	2/5
Lum Pak Sum	2/5
Wong Yun Kuen	2/5

Minutes of Board/Committee members would be maintained, and draft minutes would be circulated to all Directors members for comments before being approved by the Chairman. Minutes of the Board meetings are kept by the Company Secretary and shall open for inspection by Directors. Minutes of the Audit Committee and the Remuneration Committee are kept by the secretary of these two Committees. Where Directors have a material or conflict of interests in any transaction discussed in the Board meeting would not be dealt with by way of written resolutions. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matter.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER (“CEO”)

The Code of the Listing Rules stipulates that the role of both the Chairman and CEO should be separate and should not be performed by the same individual. During the year ended 31 December 2005, the Company does not have any officer with title of chief executive officer and Mr. Tsang Wai Lung, Wayland is the founder of the Group who assumes the role of both the Chairman and Managing Director of the Group and has been carrying out the duties of both the Chairman and CEO since the establishment of the Group. The Board is of the view that it is in the best interests of the Group to maintain this structure and has full confidence in Mr. Tsang that the Board can have the benefit of a Chairman who is knowledgeable about the business of the Group and is most capable to formulate and implement business strategies in a timely manner without compromising the balance of power and authority between the Board and the management. He as Chairman ensures that:

All Directors are properly briefed on issues arising at Board meetings.

CORPORATE GOVERNANCE REPORT

Directors receive adequate information, which must be complete and reliable, in a timely manner.

Although there is a deviation from the Code of the Listing Rules of not having a clear division of responsibilities between the Chairman and the CEO, the Board is of the view that this has not compromised accountability and independent decision making for the following grounds:

Half of Board composition is Independent Non-executive Directors.

Audit Committee composed exclusively of Independent Non-executive Directors.

Independent Non-executive Directors have free and direct access to the Company's external auditors and seek independent professional advice as necessary at the Company's expenses.

NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2005, the Non-executive Directors (including the Independent Non-executive Directors) were not appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprised of three Independent Non-executive Directors, namely Mr. Hui Pui Wai, Kimber ("Mr.Hui"), Mr. Lum Pak Sum ("Mr. Lum") and Dr. Wong Yun Kuen ("Dr. Wong") was established in September 2005 with written terms of reference in compliance with the requirement stipulated in the Code of the Listing Rules. About the written terms of reference of the Remuneration Committee, it is not currently posted on the Company's website and a copy of which will be made available upon request.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of all Directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that requires shareholder's approval.

One Remuneration Committee meeting was held for the financial year ended 31 December 2005 and all the Committee members attended the meeting.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference with the requirement stipulated in the Code of the Listing Rules. About the written terms of reference of the Audit Committee, it is not currently posted on the Company's website and a copy of which will be made available upon request.

The Audit Committee has three members comprising three Independent Non-executive Directors, Mr. Hui, Mr. Lum (with appropriate professional qualification in accounting) and Dr. Wong and its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the committee reveal cause for concern or scope for improvement.

During the year ended 31 December, 2005, the Audit Committee met and held two meetings in April and September 2005 and the attendance records of the two audit committee meetings are as follows:

Members	Attendance
Hui Pui Wai, Kimber	2/2
Lum Pak Sum	2/2
Wong Yun Kuen	2/2

For the meeting held in April 2005, the members of Audit Committee reviewed the Group's annual report 2004 and met with external auditors to discuss auditing, internal control and financial reporting matters before recommending the report for Board's approval.

For the meeting held in September 2005, the members of Audit Committee reviewed the Group's interim report 2005 and had the opinion that the report was prepared in accordance with applicable accounting standards and requirement before recommending the report for Board's approval.

EXTERNAL AUDITORS

The external auditors of the Company for the two years ended 2005 and 2004 was Baker Tilly Hong Kong Limited and the auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. They do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditors.

The auditors' remuneration of approximately HK\$280,000 was charged to the Group's income statement for the year ended 31 December 2005 (2004: HK\$306,000). Apart from the provision of annual audit services, the Group's external auditors did not provide other services to the Group for the year ended 31 December 2005.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company values communication with shareholders and investors. Enquires and suggestions from shareholders or investors are welcomed through the following channels to the Company Secretary:

Telephone number: (852) 2399 0223

Fax number: (852) 2380 1996

Postal address: Room 1201 Righteous Centre

585 Nathan Road, Kowloon

Hong Kong

E-mail: gfgcosec@biznetvigator.com

On behalf of the Board

Tsang Wai Lun, Wayland

Chairman

Hong Kong, 26 April 2006