

Corporate Governance Practices

The Company is committed to ensuring a high standard of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting the confidence of shareholders. The Board will review its corporate governance practices from time to time to ensure they reflect the latest development and meet the expectations of the shareholders.

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the year ended December 31, 2005 with certain deviations from code provision A.2.1 as set out in this report.

Board of Directors

The Board currently comprises seven executive directors, one non-executive director and four independent non-executive directors. One of the independent non-executive directors has the appropriate professional accounting experience and expertise. The biographies of the directors are set out on pages 11 to 13 of the annual report.

The Board is responsible for establishing strategic direction, setting objectives and business plans and monitoring performance. The management of the subsidiaries of the Company is responsible for the day-to-day management and operation of their respective individual business units.

The Board meets regularly to review the financial and operating performance of the Group and approve business plans. Four regular board meetings were held at approximately quarterly interval in 2005 and the individual attendance of each director at the board meetings during 2005 is set out below:

Directors	Attendance
<i>Executive Directors:</i>	
Mr. Cai Dong Chen (<i>Chairman</i>)	4
Mr. Ding Er Gang	3 (<i>resigned during the year, attendance rate was 100% in 2005</i>)
Mr. Wei Fu Min	3
Mr. Yue Jin	4
Mr. Ji Jian Ming	3 (<i>appointed during the year, attendance rate was 75% in 2005</i>)
Mr. Yao Shi An	4 (<i>appointed during the year, attendance rate was 100% in 2005</i>)
Mr. Chak Kin Man	1 (<i>appointed during the year, attendance rate was 100% in 2005</i>)
<i>Non-Executive Director:</i>	
Mr. Lee Ka Sze, Carmelo	4
<i>Independent Non-Executive Directors:</i>	
Mr. Huo Zhen Xing	4
Mr. Qi Mou Jia	2
Mr. Guo Shi Chang	2
Mr. Chan Siu Keung, Leonard	4

Chairman and Managing Director

Code provision A.2.1 of the Code stipulates that the roles of chairman and managing director should be separate and should not be performed by the same individual. Prior to December 1, 2005, Mr. Cai Dong Chen was the Chairman

of the Board and Mr. Ding Er Gang was the managing director of the Company with their roles segregated. Since the resignation of Mr. Ding as executive director and managing director of the Company on December 1, 2005, Mr. Cai has assumed both roles as the chairman and managing director of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

Non-Executive Directors

Each of the non-executive director and independent non-executive directors has entered into a service contract with the Company on December 31, 2004 for a term of two years subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company.

Remuneration of Directors

The Remuneration Committee of the Company is responsible for reviewing the remuneration policies, approving the salary, bonus and other benefits of executive directors and recommending to the Board remuneration of non-executive directors. The committee currently comprises three members, namely Mr. Chan Siu Keung, Leonard (Chairman), Mr. Lee Ka Sze, Carmelo and Mr. Huo Zhen Xing.

In 2005, no formal meeting was held but written consent was obtained from all members of the committee for fixing the discretionary bonus payable to an executive director upon his resignation and the emolument of a newly appointed executive director. A meeting was held with full attendance in January 2006 and a written resolution was signed by all members in March 2006 to fix the 2005 discretionary bonus and the 2006 emoluments of the executive directors. In making recommendations to the Board, the Committee based on its review of the operating results of the Group, individual performance and comparable market statistics.

Nomination of Directors

The Board has not established a nomination committee. According to the Articles of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Board reviews the structure, size and composition of the Board from time to time and makes recommendation on the appointment of directors.

During 2005, the Board has reviewed the need to appoint new directors in light of the business development of the Group and the resignation of a director. Nomination was made by members of the Board based on the need of the Company and the expertise and experience of individual candidate. Two meetings were held in 2005, which were attended by Mr. Cai Dong Chen, Mr. Ding Er Gang and Mr. Wei Fu Min, to consider and approve the appointment of three new executive directors.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have complied with the required standard set out in the Model Code throughout the year of 2005.

Audit Committee

The Audit Committee of the Company is responsible for providing an independent review of the effectiveness of the financial reporting process and internal control system of the Group. The committee currently comprises three members, namely Mr. Chan Siu Keung, Leonard (Chairman), Mr. Lee Ka Sze, Carmelo and Mr. Huo Zhen Xing.

The committee held four meetings in 2005 and recorded full attendance for all meetings. At the meetings, the committee considered the fees charged by the auditors, reviewed the quarterly, half-yearly and annual financial statements, reviewed the auditors' management letter and management response and reviewed the annual budget of the Group.

Based on the review and discussion at the meetings, the committee recommended to the Board to approve the quarterly, half-yearly and annual results of the Group and to adopt the measures to improve the internal control system as suggested by the auditors in the management letters.

Auditors' Remuneration

During the year, the auditors of the Company charged HK\$1,600,000 for audit services and HK\$952,000 for non-audit services. The non-audit services consist of review of quarterly and half-yearly financial statements and certain agreed-upon procedures.

Financial Reporting

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group. The reporting responsibilities of the auditors are set out in the auditors' report on pages 16 to 17 of the annual report.

Shareholder Communication

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circulars of the Company accompanying notices convening general meetings and has been read out by the chairman at the general meetings held in 2005.

At the 2005 annual general meeting, a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors. The respective chairman of the Board, Audit Committee and Remuneration Committee attended the 2005 annual general meeting to answer questions raised by shareholders.