

CORPORATE GOVERNANCE REPORT

1. Introduction

Kee Shing (Holdings) Limited (the "Company") is committed to establish and maintain high standards of corporate governance – the process by which the Group is directed and managed, risks are identified and controlled and effective accountability assured.

This Corporate Governance Report is to outline the major principles of the Company's governance. It intends to describe how the Group has applied the Code Provisions set out in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). It also highlights key changes and/or progress of the Company made to comply with the Code. Shareholders are encouraged to make their views known to the Group with concerns of the Company's corporate governance issues and to directly raise any matters of concerns to the Chairman. The Chairman will be present in the Annual General Meeting to be held on 25th May, 2006 to share views on matters of concerns.

2. Statement of Compliance

The Company considers that it has complied with the Code Provisions in the Code during the accounting period ended 31st December, 2005.

In accordance with the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") contained in Appendix 10 of the Listing Rules, the Company has adopted codes of conduct relating to securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. The Board also approved the adoption of a securities dealing policy setting out the Company's policy and rules governing the dealings in the securities of the Company by all employees of the Company and its subsidiaries and a confidentiality policy setting out the responsibilities of all employees of the Group in dealing with the Group's information that is considered to be confidential.

For the accounting period ended 31st December, 2005, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's codes of conduct regarding Directors' securities transactions.

3. Mission of the Board

The Board is collectively responsible for the success and interest of the Group through leadership and supervisions. The principal tasks of the Board are:

- Provide entrepreneurial leadership of the Company with a framework of prudent and effective controls which enables risks to be assessed and managed.
- Set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance.
- Set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

4. Major Governance Principles

4.1 DIRECTORS

Board Composition

Throughout the accounting period ended 31st December, 2005, the Board comprised four non-executive directors and four executive directors. All of them served a full-year in office during 2005.

The structure of the Board and the integrity of the individual Directors ensure that no one individual or group dominates the decision-making process. Three non-executive directors, namely Mr. Wong Kong Chi, Mr. Lai Chung Wing, Robert, and Mr. Chan Wing Lee, are considered to be independent within the guidelines set out in the Listing Rule 3.13. Together, the independent non-executive directors bring a wide range of skills and international experience to the Board. They ensure that independent judgment is exercised and that a proper balance of power is maintained for full and effective control of both the Group and its executive management, thereby performing an essential role in safeguarding investors' interests.

The Board supports the principle of Board independence and continually reviews the implementation of this principle. Biographical details of each non-executive directors are detailed on page 17 of the financial statements.

The Group also appoints employees in key executive position to form strong management teams in its business areas. These management teams comprise both executive directors and senior officers to develop and implement both operational and non-operational duties. The management teams report directly to the Managing Director and the Group key executives meet with the Chairman, Managing Directors and other Board's executive directors on a monthly basis to report business performances and operational and functional issues. This will allow the Group's management to focus resources more efficiently in decision-making and facilitate daily operation. The biographical details and responsibilities of each executive director and senior officer are detailed on page 17 and 18 of the financial statement.

Chairman and Managing Director

The offices of the Chairman and the Managing Director are held separately with a clear division of responsibility between them. The Board has resolved on 10th August, 2005 to adopt a formal schedule of "The Role of Chairman and Chief Executive Officer". The Chairman of the Board, Mr. Leung Shu Wing, is responsible for leadership of the Board and creating the conditions for overall Board and individual

director effectiveness, both inside and outside the boardroom. The Chairman has a key role in the development of the Group's strategy and in ensuring management succession. Miss Leung Miu King, Marina, was appointed as Managing Director of the Group on 10th August, 2005. She has executive responsibilities for the leadership of the executive management of the Company. The Managing Director is to take overall responsibilities for the supervision and the conducts of the Company business and its ordinary operation, in accordance with the policies, strategies and objectives established by the Company. Miss Leung Miu King, Marina is the daughter of the Chairman, Mr. Leung Shu Wing.

Responsibilities of Directors

The Directors fully appreciate their role and duties as directors and are committed to good corporate governance.

On appointment, new directors will be given a comprehensive updated induction package of the Group. The package is designed to develop the new directors' knowledge and understanding of the Group. The Company Secretary will organize an induction programme to the new director to ensure that he has a proper understanding of his duties and responsibilities. The induction programme includes an overview of the Group's business operation, the Board procedures, matter reserved to the Board, an introduction of the Board Committee, directors' responsibilities and duties, relevant regulatory requirements, copies of minutes of the Board and Board Committees in the past 12 months, and briefings with senior management and site visits (if necessary). The need for director trainings is regularly assessed by the Board. In the fiscal year of 2005, no new Director was appointed.

The Company Secretary is responsible for keeping all directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

Appointment, Re-election and Removal

All the non-executive directors of the Company have entered into service agreements with the Company for a specific term of two years commencing on 8th November, 2005 in the case of Messrs. Wong Kong Chi, Lai Chung Wing, Robert, and Chan Wing Lee and on 16th December, 2005 in the case of Mr. Yuen Tin Fan, Francis. All directors are subject to periodic reappointment by the shareholders through rotation in Annual General Meeting pursuant to the Company's existing Articles of Association.

4.2 BOARD PROCESS

Meetings

The Board met four times in the fiscal year of 2005 at approximately quarterly intervals and the majority of the directors participated in each meeting. The Company Secretary, Mr. Wong Choi Ying, kept detailed minutes of each meeting including any dissenting views expressed by the directors. The attendance of each director at these meetings is shown in the table below:

	Attended in person	Apologies given
Executive Directors:		
Mr. Leung Shu Wing (Chairman)	4	-
Miss. Leung Miu King, Marina (Managing Director)	4	-
Mr. Wong Chi Kin	4	-
Mr. Wong Choi Ying (Company Secretary)	4	-
Non-Executive Directors:		
Mr. Yuen Tin Fan, Francis	-	4
Mr. Wong Kong Chi (Independent)	4	-
Mr. Lai Chung Wing, Robert (Independent)	4	-
Mr. Chan Wing Lee (Independent)	4	-

The Board resolved on 10th August, 2005 to adopt a schedule of Matters Reserved for the Board to ensure that its delegation of management and administration functions to the management is clear and unambiguous. The schedule sets out matters specifically reserved for the Board for decision including the establishment of the Group's long term objectives and commercial strategy, approval and monitoring of budgets, changes of the Group's corporate structure, capital and listing status, approval of financial statements and announcement of results, declaration of dividends, approval of material transactions, appointment and remuneration of board members and senior executives, and other matters more specifically described in the schedule.

4.3 REMUNERATION COMMITTEE

The Remuneration Committee, which was set up on 10th August, 2005 and under the chairmanship of Mr. Wong Kong Chi, comprises the three independent non-executive directors and one executive director. In the fiscal year 2005, the Remuneration Committee met twice and the attendance of each director at these meetings is shown in the table below:

	Attended in person	Apologies given
Non-Executive Directors:		
Mr. Wong Kong Chi (Independent)	2	-
Mr. Lai Chung Wing, Robert (Independent)	2	-
Mr. Chan Wing Lee (Independent)	2	-
Executive Directors:		
Mr. Wong Chi Kin	2	-

The Remuneration Committee is a Board committee delegated with the primary responsibilities to oversee the policy and structure of the remuneration of the directors and senior management of the Company and to approve specific remuneration packages of all executive directors and senior management. The duties and responsibilities of the Remuneration Committee are more specifically set out in its Terms of Reference, which is available for inspection at the Company's website www.keeshing.com or by making request to the Company Secretary.

The Remuneration Committee presents reports on its work and findings to the Board after each meeting. Minutes of each meeting were made available to all the directors' inspection.

The Remuneration Committee has held discussions and made recommendations to the Board on new remuneration policy for executive directors and senior managers in 2006. No Director is involved in deciding his own remuneration, whether determined by the Remuneration Committee, or in the case of non-executive directors, by the Board.

4.4 ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board believes that it presents a balanced, clear and comprehensive assessment of the Group position and prospects in all written communication with shareholders.

The Board also fully appreciates its responsibilities regarding the preparation of financial statements.

Audit Committee and Auditors

The Audit Committee, under the chairmanship of Mr. Wong Kong Chi, consists of three independent non-executive directors. External auditors, executive directors and the Group Assistant Financial Controller are invited to attend the Audit Committee meetings. The Audit Committee met on four occasions during the year 2005 and the attendance of each member at these meetings is shown in the table below:

	Attended in person	Apologies given
Non-Executive Directors:		
Mr. Wong Kong Chi (Independent)	4	-
Mr. Lai Chung Wing, Robert (Independent)	4	-
Mr. Chan Wing Lee (Independent)	4	-

The Audit Committee is required, amongst other things, to oversee the relationship with external auditors, review the Company's annual and interim financial statements, and evaluate the Group's internal controls and risk management systems. There is in place an agreed procedure for Audit Committee members for seeking independent professional advice at Company's expense. The Audit Committee reports its work and findings to the Board after each meeting. Minutes of each meeting were kept by the Company Secretary and made available to all Directors.

Terms of Reference of the Audit Committee are available for inspection at the Company's website www.keeshing.com or by making request to the Company Secretary.

Auditor Independence

The Board, on the recommendation of Audit Committee, approved the appointment of Deloitte Touche Tohmatsu to perform its audit services to the Group for the fiscal year of 2005. Deloitte Touche Tohmatsu has been the Group's appointed external auditor since its public listing in 1989. A letter from Deloitte Touche Tohmatsu dated 9th December, 2005 has stated that it complies with the Professional Ethics Statement 1.203A "Independence for Assurance Engagements" and Professional Ethics Guidance 1.308 "Independence for Assurance Engagements" issued by the Hong Kong Institute of Certified Public Accountant.

During the year of 2005, total fees paid to the Group's external Hong Kong auditors, Deloitte Touche Tohmatsu, amounted to HK\$1,724,556, of which comprised 25.2% or

HK\$ 433,730 were fee for non-audit services, including taxation, secretarial and interim review for the period ended 30th June, 2005.

Internal Control

In 2005, the Audit Committee has reviewed the interim and final results of the Group as well as the Group's internal controls and risk exposure. Also, it has examined the external auditor's independence including its engagement of non-audit services. During the year, there is no event or condition of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Overall result of the review by the Audit Committee is found to be satisfactory.

4.5 DELEGATION BY BOARD

The Board and management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the business and the responsibility of which remains vested in management. The Board has set up a formal schedule of matters specifically reserved for the Board's decision. Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committee. In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

4.6 COMMUNICATION WITH SHAREHOLDERS

Communication programme for Shareholders

The Group strives to disclose relevant information on its activities to shareholders in an open and timely manner, subject to applicable legal requirements. Communication is achieved through:

- The Company's annual and interim reports which have been enhanced to present a balanced, clear and comprehensive assessment of the Group position and prospects;
- Notices of annual and other general meetings and accompanying explanatory materials;
- Press releases on major development of the Group;
- Disclosures to Stock Exchange and relevant regulatory bodies;
- Response to inquiries from shareholders or media by the Company Secretary;
- Company's website at www.keeshing.com making available, among other things, corporate announcements, press releases, annual reports, and general corporate information of the Group.

Constructive use of Annual General Meetings

The Board values the Annual General Meetings as the principal opportunity to meet shareholders. All executive directors and the chairman of the Audit Committee attended the Annual General Meeting held on 31st May, 2005. Annual Report and Financial Statements and related papers are posted to shareholders for their consideration at least 35 days prior to the Annual General Meeting. Annual General Meeting proceedings are continually reviewed in the light of corporate governance best practices.