

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in the interest of its shareholders. The corporate governance principles of the Company emphasis a quality board, transparency and accountability to all shareholders of the Company.

The Company has adopted the code provisions set out in Appendix I4, Code on Corporate Governance Practices (“CG Code”), of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The shares of the Company were only listed on the Stock Exchange on 30 March 2006 and the Company will endeavour to comply with the CG Code for the coming years. The Board will also review and monitor its practices from time to time with an aim to maintaining and improving a good standard of corporate governance practices.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix I0 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

### BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performance. The management was delegated authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of seven Directors including four executive Directors and three independent non-executive Directors:

#### **Executive Directors**

Mr. Sze Siu Hung (*Chairman*)

Mr. Qiu Fengshou

Madam Cai Peilei

Mr. Sze Chin Pang

#### **Independent Non-Executive Directors**

Professor Zeng Qingfu

Professor Zhao Bei

Mr. Lui Siu Keung

Mr. Sze Siu Hung is the spouse of Madam Cai Peilei, an executive Director, brother in law of Mr. Cai Chaodun, the deputy general manager of the Group and the elder brother of Mr. Sze Siu Bun, the chief executive officer of the Group. Save as disclosed herein, the Board members have no financial and/or other material/relevant relationships with each other. Such board composition is formed to ensure independence exists across the Board and to meet the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 8 to 11 under the section headed "Directors & Senior Management Profiles".

The Board is principally responsible for formulating business strategies, and monitoring the performance of the business of the Group. The Board decides on corporate strategies, approves overall business plans, evaluates the Group's financial performance and management and reviews the financial and internal control system. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board plans to have at least four meetings in a financial year and to discuss at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the Group. Minutes of the Board meetings are kept by the Company Secretary for record and are available for inspection by the Directors and auditors of the Company.

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive directors are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules.

The three independent non-executive Directors were appointed for a term of two years commenced on 1 June 2005 and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

## AUDIT COMMITTEE

The Board established an Audit Committee on 7 June 2005 with written terms of reference in compliance with the CG Code of the Listing Rules. The primary duties of the Audit Committee are to review the financial reporting system and internal control procedures of the Group, to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and reviewing the financial information and accounting policies of the Group. The Audit Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung, who possesses a professional accounting and relevant accounting experience, is the chairman of the Audit Committee. The Audit Committee will meet at least twice a year to carry out the aforesaid primary duties and minutes of the meeting will be kept by the Company Secretary at the principal place of business of the Company in Hong Kong.

## REMUNERATION COMMITTEE

The Board established a Remuneration Committee on 7 June 2005 with written terms of references in compliance with the CG Code of the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the remuneration packages, bonuses and other compensation payable to the Directors and senior management. In fulfilling the functions, the Remuneration Committee will take into consideration factors such as salaries paid by comparable companies, respective time commitment and responsibilities of the Directors and senior management and whether the remuneration packages are competitively attractive to retain the Directors and senior management. The Remuneration Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung is the chairman of the Remuneration Committee. The Remuneration Committee will meet at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting will be kept by the Company Secretary at the Company's principal place of business in Hong Kong.

## NOMINATION COMMITTEE

The Board established a Nomination Committee on 7 June 2005 with written terms of references in compliance with the CG Code of the Listing Rules. The primary duties of the Nomination Committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship. The Nomination Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung is the chairman of the Nomination Committee. The Nomination Committee will meet at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting will be kept by the Company Secretary at the principal place of business in Hong Kong.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of the Chairman and the Chief Executive Officer (the “CEO”) of the Group were separately held by Mr. Sze Siu Hung and Mr. Sze Siu Bun respectively for the year to ensure a clear distinction between the Chairman’s responsibility to lead the Board and the CEO’s responsibility to manage the Company’s business affairs. The Company intends to continue to have the role of the Chairman and CEO assumed by different individuals.

## AUDITORS’ REMUNERATION

During the year ended 31 December 2005, the fee paid/payable to the auditors in respect of audit services provided by the auditors to the Group was HK\$800,000.

## DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensuring that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, on their reporting responsibilities in respect of the financial statements of the Group is set out on page 22.

The Directors confirm that, to their best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.