

The board of directors of the Company (the “Board”) will from time to time review the corporate governance practices as to commit the maintenance of high standards of corporate governance practices and to comply with the increasingly stringent regulatory requirements. Except for the deviations disclosed in this report, during the year ended 31 December 2005, the Company has complied with the mandatory code provisions set out in the Code on Corporate Governance Practices (the “CGP Code”) in Appendix 14 of the Listing Rules.

THE BOARD OF DIRECTORS

Composition and Role of the Board

The Board is responsible for the overall strategic development and business operation of the Group. The Board also monitors the financial performance and control on business operation. Currently the Board is comprised of two executive directors and three independent non-executive directors, which includes:

Executive Directors: Han Junran (*Chairman*)
Fu Yiu Kwong

Independent Non-executive Directors: Chan Yiu Tung, Anthony
Wong Shing Kay, Oliver
Zheng Qing

Biographical details of the Board members are set out in pages 13 and 14 of this annual report.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each independent Non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

During the year ended 31 December 2005, four full Board meetings were held by the Company and complies with the code provision A.1.1 of the CGP Code. The Company has already established profound regime to ensure effective communication among the directors.

The attendance of each director is as follow:

Name of director	Number of meetings attended
Han Junran	8/8
Fu Yiu Kwong	8/8
Chan Yiu Tung, Anthony	8/8
Wong Shing Kay, Oliver	8/8
Zheng Qing	4/8

Chairman and Chief Executive Officer

According to the CGP Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

Appointment, re-election and removal of the Directors

The non-executive directors of the Company are not appointed for specific terms, thus deviates from CGP Code provision A.4.1. In addition, the Chairman of the Board and/ or the Managing Director of the Company are not subject to retirement by rotation which also deviates from CGP Code provision A.4.2. However, in view of the fact that non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the CGP Code provisions. Nevertheless, the Company will review its relevant Article of Association and will propose any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

Responsibility of the Directors

The Directors will from time to time review the Company's governance practices, and the Board will provide complete and sufficient information to its members as to ensure effective performance of their responsibilities.

The Directors are responsible for preparation of accounts for the year ended 31 December 2005 which give a true and fair view of the state of affairs of the Group and of the results and financial results for the period. In preparing the accounts for the year ended 31 December 2005, the Directors have:

1. selected suitable accounting policies and applied them consistently;
2. adopted appropriate Hong Kong Financial Reporting Standards; and
3. made adjustments and estimates that are prudent and reasonable; and ensured that the accounts are prepared on the going concern basis.

The Directors are also responsible for keeping proper accounting records so as to give a reasonable and accurate financial position of the Company at all time.

The Board is also responsible for the internal control of the Group, and is committed to the fulfillment of effectual and sound internal control system which protects the interests of the shareholders and the Group.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2005. The Model Code also applies to other specified senior management of the Group.

Remuneration Committee

The Company has not established the Remuneration Committee for the year ended 31 December 2005, which deviates from CGP Code provision B.1, as the Company has an established policy for fixing remuneration packages for all directors and the senior management depending on the individuals’ performance and responsibility, market trend and company performance. The Board will review from time to time the necessity to establish a remuneration committee.

Audit Committee

Members of the Audit Committee includes:

Wong Shing Kay, Oliver (*Chairman of the Committee*)
Chan Yiu Tung, Anthony
Zheng Qing

All of the Audit Committee members are independent non-executive directors. The Board considers that each of the Audit Committee members owns comprehensive commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the accounts for the year ended 31 December 2005.



During the year ended 31 December 2005, two Audit Committee meetings were held and all the members have attended the meetings.

The Board has reviewed the internal control system of the Group and confirmed that its opinion on the appointment of the auditors conforms with that of the Audit Committee.

Auditors Remuneration

For the year ended 31 December 2005, the auditors' remuneration paid by the Company is set out in note 8 to the financial statement.

Communication with the shareholders

Communication between the Company and its shareholders are achieved through various means including the convening of general meetings, the despatch of annual reports, interim reports and circulars. Chairman of the Board also proposes separate resolution on the general meeting regarding each substantial issue including the re-election of directors. In addition, the demand for voting by poll procedure is also included in the circular distributed to the shareholders.