

## CORPORATE GOVERNANCE REPORT

The Board is committed to maintain and ensure high standard of corporate governance, as the Board takes the view that high standard of corporate governance lays down a solid foundation for enhancing the high degree of accountability and transparency, maintaining sound and effective internal control, improving the performance of the Group and safeguarding the interests of the shareholders of the Company.

The Board has adopted the code provisions as set out in the Code of Corporate Governance Practice (the “**Code Provisions**”) contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). During the Year, the Company has taken appropriate actions to comply with most of the Code Provisions, except for certain deviations in respect of the terms of service and rotation of the independent non-executive Directors and the non-executive Director. Further appropriate actions will be taken by the Company so as to comply with the Code Provisions.

### The Board

The Board comprises of four executive Directors, namely, Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin and Mr. Li Kim Hung with Mr. Wong Yin Sen acting as the chairman of the Board, one non-executive Director, namely, Ms. Cheng Kong Yin and three independent non-executive Directors, namely, Mr. Pang Hong, Mr. Cheung Kwan Hung, Anthony and Mr. Ding Xun. To the best knowledge of the Company, save as Ms. Cheng is the spouse of Mr. Wong Yin Sen and the four executive Directors have interest in the ultimate holding company of Beijing SBT Ruyan Technology Development Company Limited (“Beijing SBT”), there is no financial, business, family or other material/relevant relationship between the Directors.

The Board is responsible for the overall strategic development of the Group. The Board is also responsible for the financial performance and internal control policies and procedures of the Group’s business operation.

The full Board will meet at least four times a year, to review the overall development, operation and financial performance, interim results, year end results and other matters of the Company that requires the approval of the Board. All the Board members are able to access the board papers and other relevant materials and they are given reasonable notice to review board papers and other relevant materials and they are provided with sufficient information as the basis for their decision making. In respect of full Board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers will be despatched to Directors at a reasonable time before the intended date of a board meeting. The Chairman is the one who responsible for the agenda of the board meetings.

The biographies of the Directors are set out in pages 15 to 16, which demonstrate a diversity of skills, expertise, experience and qualifications.

Moreover, the Board informally meets on a regular basis to discuss the daily operation issue of the Company. For those non-executive and independent non- executive Directors are not personally present in the Company’s principal place of business in Hong Kong, conference call was used as the Company is actively taking advice from them.



## Appointment of Directors

The Directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. They carried out their duties imposed by the statutory requirements, the articles of association of the Company (the "Articles of Association") and the Listing Rules, complied with relevant requirements and strictly implemented resolutions of general meetings of the Company.

The appointment of executive Directors was based on their expertise and responsibility for the Group's various business operations.

The independent non-executive Directors also play important role in the Board. They provide the Board with independent judgment on issues of strategic direction and future development; opinion on connected transactions and risk management on audit issues. One of the independent non-executive Directors is a qualified accountant in Hong Kong and the rest of them satisfy the requirement of the Listing Rules. The Board has received annual confirmation in respect of the independence of each of the independent non-executive Directors and considers that their independence is in compliance with the Listing Rules during the Year.

The Board will consider the past performance, qualification, general market conditions and the Articles of Association in selecting and recommending candidates for directorships.

All Directors are regularly updated on governance and regulatory matters. There is set of policies and procedures for the Directors to obtain independent professional advice (if necessary).

The Company has received annual confirmation of independence from three independent non-executive Directors in accordance with rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the ambit of the requirement of the Listing Rules.

## Board Meetings

During the Year, the Board has held six board meetings. Directors were given sufficient time to review documents and information relating to matters that have to be discussed during such meetings.

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Details of Directors' attendance at Board meetings held in 2006 are as follows:

## Board Meetings

### *Executive Directors*

Mr. Wong Yin Sen	6/6
Mr. Hon Lik	6/6
Mr. Wong Hei Lin	6/6
Mr. Li Kim Hung	6/6

### *Non-executive Director*

Ms. Cheng Kong Yin	3/6
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### *Independent non-executive Directors*

Mr. Pang Hong	3/6
Mr. Cheung Kwan Hung, Anthony	3/6
Mr. Ding Xun ( <i>Note</i> )	3/6

*Note:* Mr. Ding Xun was only appointed as an independent non-executive Director on 27 July 2006. Mr. Song Xiao Hai resigned as an independent non-executive Director on 27 July 2006.

## 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 10 to the Listing Rules. After making specific enquiries with the Directors, the Company has received the confirmations from each of the Directors confirming that he/she has complied with the required standard of dealings set out in the Model Code for the Year.

## Chairman and Chief Executive Officer

Mr. Wong Yin Sen has served as the Chairman of the Board throughout the year 2006. The role of Mr. Wong Yin Sen as the Chairman of the Board is to provide guidance and leadership to the Board on formulating the strategic policies and plan and establishing the overall business direction of the Group.

Mr. Hon Lik was appointed as the Chief Executive Officer of the Group on 15 October 2005. Prior to Mr. Hon's appointment as the Chief Executive Officer of the Group, the role and duties of the Chief Executive Officer of the Group was collectively discharged by other executive Directors and senior management of the Group.

Mr. Hon Lik as the Chief Executive Officer is responsible for the day-to-day operations of the Group, implementation of the strategic policies and plan at the operational levels with the support of the senior management of the Group. Mr. Hon regularly keeps Chairman of the Board and other Directors fully informed of all major issues which may affect the operation of the Group and its business development activities.



The above arrangement has been put in place to ensure that there is division of responsibilities between Mr. Wong Yin Sen as Chairman of the Board and Mr. Hon Lik as the Chief Executive Officer of the Group.

## Appointment and Re-election of Directors

Although none of the existing non-executive Directors (including independent non-executive Directors) are appointed for a specific term, all of the non-executive Directors are subject to retirement and rotation provisions under the Articles of Association.

Amendments to the Articles of Association have been made upon the approval of the shareholders at the annual general meeting held on 8 June 2006. Any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, until the next following general meeting, and in the case of an addition to the existing Board, until the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting. In addition, such Director shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three(3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specified term or holding office as chairman of the Board and/or managing director of the Company, shall be subject to retirement by rotation at least once every three years.

Each newly appointed Director will be reminded of his duties and responsibilities as Directors of listed company under the Listing Rules, related ordinances and relevant requirements of the regulatory bodies in Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company.

## Committees

As part of the corporate governance practices, the Board has established the following committees, namely, the Audit Committee and the Remuneration Committee.

### Audit Committee

The Audit Committee was established on 18 January 2001 with adoption of its terms of reference and its current members include:

Mr. Cheung Kwan Hung, Anthony (*Chairman*)  
Mr. Pang Hong  
Mr. Ding Xun

The duties of the Audit Committee include review and supervision of the financial reporting process and the Company's internal control policies and procedures.

The appointment of members of the Audit Committee is based on their broad experience in commercial sectors and professional knowledge on financial reporting and management.

The Audit Committee meets regularly to review the financial reporting matters and internal control policies and procedures issues. The Audit Committee also acts as the communication bridge between the Board and the external auditors in relation to the planning and scope of audit work. The interim results and the year end results of the Group for the year have been reviewed by the Audit Committee.

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For the Year, the Audit Committee held two meetings and the attendance records of the meetings are shown below.

### Remuneration Committee

The Remuneration Committee was established in September 2005 with adoption of its terms of reference and its current members include:

Mr. Pang Hong (*Chairman*)  
Mr. Cheung Kwan Hung, Anthony  
Mr. Ding Xun

The duties of the Remuneration Committee include making recommendations on the Company's policy and structure for remuneration package of the Directors and senior management, evaluation and making recommendations on other employee benefit arrangements.

The appointment of members of the Remuneration Committee is based on their broad experience in the commercial section and knowledge in the general economy conditions.

For the Year, the Remuneration Committee held one meeting and the attendance record of the meeting is shown below.

### Attendance Record at Board Committee Meetings

The following table shows the attendance of Directors at Board Committee meetings during the Year.

Directors	Number of meeting attended/ Number of meeting held	
	Remuneration Committee	Audit Committee
<i>Independent non-Executive Directors</i>		
Mr. Pang Hong	1/1	2/2
Mr. Cheung Kwan Hung, Anthony	1/1	2/2
Mr. Ding Xun	0/1	1/2

### Remuneration of Directors and Senior Management

In determining the remuneration level and packages to the Directors and senior management, the Company took into account the prevailing market practice and trends and to reflect on time commitment, duties and responsibilities of the Directors and senior management and their contribution to the Group.



## Investor Relationship and Communication

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders and investors. The annual general meeting is the principal forum for formal dialogue with shareholders of the Company where the Board members are available to answer questions about specific resolutions being proposed at the meeting.

Information of the Group is also disseminated to the shareholders of the Company and investors in the following manners:

- Delivery of the interim reports and annual reports to all shareholders of the Company and other interested parties;
- Publication of announcements on the interim results and year end results in the newspapers and on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and issue and publication of other announcements and shareholders' circulars in accordance with the continuing disclosure obligation under the Listing Rules; and
- Price sensitive information is disclosed to the public by way of announcement as required by the Listing Rules. Enquiries and suggestions from shareholders of the Company or investors are welcome through the following channels to the company secretary of the Company:
  - by mail to the Company's principal place of business in Hong Kong at Rooms 1010-12, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong;
  - by telephone at telephone number (852) 2858 4999;
  - by fax at fax number (852) 2547 9221; or
  - by email at "ili@goldendragon.hk".

## Accountability and Audit

The Directors acknowledge that they are responsible for overseeing the preparation of the accounts of the Group and ensuring the financial statements are prepared in accordance with the statutory requirements and applicable financial reporting standards and also ensuring the timely publication of the financial statements of the Group.

The Directors are also committed to make appropriate announcements in accordance with the requirements of the Listing Rules to disclose all information that are necessary for shareholders of the Company to assess the financial performance and other aspects of the Company.

The Group's external auditors are Deloitte Touche Tohmatsu for the Year and they will hold office until the forthcoming annual general meeting of the Company. The annual consolidated financial statements of the Group for the Year have been audited by Deloitte Touche Tohmatsu.

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The Audit Committee is responsible for considering the engagement of external auditors of the Group and reviewing the independence and objectivity of the external auditors of the Group.

For the Year, the fees of the external auditors of the Group for audit services amounted to HK\$920,000 and for non-audit services amounted to HK\$100,000.

### **Internal Control**

The Board is responsible for ensuring that an adequate system of internal controls is maintained within the Group, and for reviewing its effectiveness through the Audit Committee. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified personnel maintains and monitors the internal control systems on an ongoing basis.

The Board, through the Audit Committee, has conducted reviews of the effectiveness and the adequacy of the Group's system of internal control.

During the Year, based on the evaluations made by the Audit Committee, the Board was satisfied that nothing has come to its attention to cause the Board to believe that the system of internal control is inadequate; and there is an ongoing process to identify, evaluate and manage significant risks encountered by the Group.