

Corporate Governance and Other Information

Business Values

As a listed company, the Board of Directors and the management clearly understand that a prudent and open business practice is in the best interests of the Company and the public in the long-term. Therefore, we are committed to complying with the standards of corporate governance required by the laws of Hong Kong and adhere strictly to the Code of Best Practice of the Stock Exchange.

The Company has always placed importance on a well-established, sound and reasonable system of corporate governance by upholding our corporate governance culture, fostering ethical conduct among our staff and dedicating ourselves to community services.

As society continuously evolves, the standards of corporate governance for listed companies required by the Stock Exchange have also been raised. We are also reviewing our original corporate governance guide with reference to the newly introduced Code on Corporate Governance Practice.

I sincerely hope that the corporate governance guide will help us promote our standards of corporate governance, protect the interests of our shareholders and, in the long-term, lay stronger foundations for the Company's development.

Corporate Governance Practices

The Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

The Code on Corporate Governance Practice introduced by the Stock Exchange in replacement and enhancement of the Code of Best Practice has become effective from 1 January 2005. The Company is in the process of reviewing its corporate governance practices to meet the provisions of the Code on Corporate Governance Practice.

A special resolution was passed at the last annual general meeting to amend the Company's Articles of Association to reflect recent amendments to the Companies Ordinance and the Listing Rules, to incorporate minor drafting improvements and align them more with current practices.

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The Board of Directors

The Board comprises two executive directors and five non-executive directors of which three of them are independent. The non-executive directors meet regularly with the management of the Company and review matters relating to financial statements, internal control, general compliance and substantial issues of the Group. Biographical information of all the Directors are presented on pages 3 to 4.

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

In furtherance of good corporate governance, the Board has established two sub-committees: an Audit Committee and a Remuneration and Nomination Committee. The work of these committees is reported to the Board. The Board met 5 times during the period from April 2004 to May 2005. Agendas and accompanying meeting papers are circulated to all the directors and committee members where possible at least 48 hours before the time of a board meeting or committee meeting. Minutes of board meetings and committee meetings are taken by the Company Secretary and are available for all board members. The attendance of individual directors at the five board meetings is set out in the table below:–

Directors	Attended/Eligible to attend
<i>Executive Directors</i>	
Mr. Lu Sin	5/5
Mr. Lui Chi Lung	4/5
<i>Non-executive Directors</i>	
Mr. Lu Yong Lee	0/5
Mr. Lee Ka Sze, Carmelo	3/5
<i>Independent Non-executive Directors</i>	
Mr. Gan Khai Choon	2/5
Mr. Lam Ming Leung	4/5
Mr. Oen Min Tjin (appointed on 28 September 2004)	3/3

The Company has arranged directors liability insurance cover in respect of legal action against the Directors.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. A notice will be sent to each Director one month before the date of the board meeting to approve the Company's half year result and annual results reminding them that they cannot deal in the securities of the Company until after such results have been published, and that all his dealings must be conducted in accordance with the Model Code. All the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code.

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Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting, and corporate control. The members of Audit Committee comprise the three independent non-executive directors and one non-executive director, namely Mr. Gan Khai Choon as Chairman of the Audit Committee, Mr. Lam Ming Leung, Mr. Oen Min Tjin and Mr. Lee Ka Sze, Carmelo.

During the year, the Audit Committee has performed the following works:—

- (a) review with the management and external auditors the 2004 annual and 2005 interim financial statements;
- (b) review the internal control systems of the Group;
- (c) review the compliance issues with the regulatory and statutory requirements.

Committee Members	Attended/Eligible to attend
Mr. Gan Khai Choon	3/3
Mr. Lam Ming Leung	2/3
Mr. Oen Min Tjin (appointed on 28 September 2004)	1/2
Mr. Lee Ka Sze, Carmelo	3/3

Remuneration and Nomination Committee

The members of Remuneration and Nomination Committee are Mr. Lu Sin, the Chairman of the Group and Mr. Lee Ka Sze, Carmelo, Non-executive Director of the Company.

The Committee is responsible for new appointment and re-appointment of Directors and senior management; review management succession planning for senior management of the Company; formulate and review remuneration policy and packages of all directors and senior management; and review and approve compensation packages, roles and responsibilities and performance assessment of employees of the Group.

Committee Members	Attended/Eligible to attend
Mr. Lu Sin	3/3
Mr. Lee Ka Sze, Carmelo	3/3

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Employees

The Group has 82 employees at present. We pay particular attention to their work and benefits. In addition to reasonable pay increases and bonuses made on the recommendation of the Remuneration and Nomination Committee under the Board of Directors, we have also established effective communications with employees, and communications between employees themselves in order to enhance a close relationship between the employees and the Company. We also subsidise and encourage employees to take on continuing education in order to equip themselves with the greater knowledge that is needed for personal and business advancement. Additionally, we are committed to developing potential employees so that the Company's human resources replenishment and its management can be improved.

Social Responsibilities and Services

Active involvement in community services is one of our objects. We continue to take part in various social and charity events in the community and in schools, which include sponsoring the Hong Kong Synergy 24 Drum Competition organised by the Hong Kong Chinese Orchestra for the promotion of Chinese arts and culture; holding a blood donation day with the Hong Kong Red Cross; jointly organising waste recycling campaigns and eco-tours with the Friends of the Earth; and making a donation to the World Vision for the Southeast Asia tsunami disaster relief. Staff of the Company have also participated as volunteers in the "Greening Hong Kong by PolyU Alumni" held by the Hong Kong Polytechnic University.

As a result of our efforts, we have been awarded the "Caring Company" logo by the Hong Kong Council of Social Service once again in recognition of our corporate citizenship and contribution to social development.

The Company has continued to implement the 5-S practice in order to create a safe and healthy workplace, and we have become a member of the Green Cross Group of the Occupational Safety and Health Council.

Lu Sin

Chairman

Hong Kong, 30 June 2005