

CORPORATE GOVERNANCE PRACTICES

For the year ended 31st December 2005, in the opinion of the Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules with deviation from code provision A.4.1 of the Code in respect of the service term of independent non-executive Directors.

Model Code

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 as the code for securities transactions by Directors of the Company. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have complied with the requirements set out in the Model Code for the year ended 31st December 2005.

The Board

Composition and appointment

As at 31st December 2005, the Board comprises eight Directors, including four independent non-executive Directors, and four executive Directors. Names and biographies of the Directors are set out on page 10 of this annual report. The term of office for all of the Directors (including non-executive Directors) is not specified.

None of the existing non-executive Directors of the Company is appointed for a specified term. This constitutes a deviation from code provision A.4.1 of the Code. However, not less than one-third of the Directors of the Company (both executive and non-executive) are subject to retirement by rotation at each annual general meeting in accordance with the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those provided in the Code.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules, two of the independent non-executive Directors possess the requisite appropriate professional qualifications. The Board confirmed that the independence and eligibility of the independent non-executive Directors are in compliance with the relevant requirements of the Listing Rules.

The Board has effectively overseen and monitored the activities of the Company and the decisions were made in the best interests of the Company. During the financial year ended 31st December 2005, the Board convened a total of 71 meetings, performing its duties in considering, inter alia, an increase in the Company’s authorised share capital, adoption of a share option scheme and related matters, a capital reorganisation and rights issue, placing of the Company’s shares, amendments to the Articles of Association of the Company and financial and other matters pursuant to the provisions of the Articles of Association of the Company. Real-time teleconference system was adopted at each meeting to increase the attendance rate. The average attendance rate of executive directors was 85%.

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Statistics of Directors' attendance at the Board meetings during the year ended 31st December 2005:

Name of Director	Attendance		Title
	Times	Rate (%)	
Chung Yuk Lun	70	99	Chairman, Executive Director
Nakajima Toshiharu	71	100	Chief Executive Officer, Executive Director
Shimazaki Koji	43	61	Executive Director
Greer Thomas Francis Jr (resigned on 28th February 2005)	1	1	Executive Director
Ma Chi Wing (resigned on 18th May 2005)	6	8	Executive Director
Szeto Siu Kit (resigned on 27th February 2006)	59	83	Executive Director
Chan Sze Hung	9	13	Independent Non-Executive Director
Wong Kai Cheong	9	13	Independent Non-Executive Director
Kan Kwok Shu, Albert (appointed on 29th December 2005)	0	0	Independent Non-Executive Director
Lin Michael (resigned on 15th September 2005)	4	6	Independent Non-Executive Director
Kwok Wai Ming (resigned on 6th January 2006)	8	11	Independent Non-Executive Director

Chairman and chief executive

The executive Director, Chung Yuk Lun, served as the Chairman of the Company. The Chairman is responsible for over-seeing the Company's operations in respect of compliance with internal rules, and compliance with statutory requirements and promoting the corporate governance of the Company, whereas the Company did not appoint a chief executive for the year ended 31st December 2005. The significant decision-making and the day-to-day management of the Company is carried out by all of the executive Directors. Therefore, the roles of the Chairman and the chief executive of the Company are not segregated in the sense that two different individuals took up these roles, however, the functions of the chief executive were carried out by all of the executive Directors. The role of the Chairman and chief executive are not exercised by the same individual. Subsequent to the year-end date, Mr. Nakajima Toshiharu was appointed the Chief Executive Officer of the Company on 27th February 2006.

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Remuneration Committee

The Company has a remuneration committee for determining the remuneration of Directors. The members of the remuneration committee are: **Chung Yuk Lun, Chan Sze Hung and Wong Kai Cheong**. During the financial year ended 31st December 2005, the committee held 1 meeting (adopting the terms of reference of the remuneration committee) to discuss remuneration related matters. The individual attendance of each member is as follows:–

Name of member	Attendance		Title
	Times	Rate (%)	
Chan Sze Hung	1	100	Chairman, Independent Non-Executive Director
Wong Kai Cheong	1	100	Independent Non-Executive Director
Chung Yuk Lun	1	100	Executive Director

Mr. Chan Sze Hung is the chairman of the remuneration committee. The remuneration committee is responsible for the following functions: determining the policy for remuneration of Directors and senior management, assessing performance of executive Directors, as well as determining the emolument policy of the Company.

Auditors' Remuneration

For the year ended 31st December 2005, the auditors of the Company have carried out the following works at the stated fees for the Company:–

- (a) Audit services: **Interim and Annual Audit Works**. The total fee for audit work amounted to HK\$143,000.00; and
- (b) Non-audit services: **Preparation of certain financial information for inclusion into the Capital Reorganisation and Rights Issue circular dated 25th April 2005 and Rights Issue circular dated 31st August 2005**. The total fee for non-audit work amounted to HK\$140,000.00.

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Audit committee

The audit committee comprises four independent non-executive Directors, and Chan Sze Hung serves as the chairman of the audit committee.

During the year ended 31st December 2005, the audit committee held 3 committee meetings. The attendance of each of the members at such meetings is as follows:-

Name of member	Attendance		Title
	Times	Rate (%)	
Chan Sze Hung	3	100	Independent Non-Executive Director
Wong Kai Cheong	3	100	Independent Non-Executive Director
Lin Michael	2	67	Independent Non-Executive Director
Kwok Wai Ming	3	100	Independent Non-Executive Director
*Shimazaki Koji	1	33	Independent Non-Executive Director

* Mr. Shimazaki Koji was redesignated as an Executive Director of the Company on 9th May 2005.

Responsibilities of the audit committee include:

- (1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;
- (2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and
- (3) to review the interim and annual accounts.

The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company for the year ended 31st December 2005.