

# Corporate Governance Report

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is committed to maintain high standards of corporate governance for the Company. Since 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code Provision") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the Code Provision.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for directors' securities transactions stated in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") in Appendix 10 of the Listing Rules. All directors of the Company (the "Directors") have confirmed that they have complied with the requirements as set out in the Model Code for the year ended 31 December 2005.

## BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises nine members and their positions, as at the date of this report, are as follows:

### **Executive Directors**

Chuang Yueheng, Henry	(Chairman)
King Phillip	(Managing Director)
Lo Kan Sun	(Chief Operating Officer)
Wong Ying Seung, Asiong	

### **Independent Non-executive Directors**

Lam Ping Cheung  
Miu Frank H.  
Nakajima Toshiharu  
Lin Wai Yi  
Liu Jian

### **Alternate Director**

Lee Kwan Ching (Alternate Director to Mr. Lo Kan Sun)

Details of the backgrounds and qualifications of the Directors are set out in the section of "Biographies of Directors and Senior Management" on page 12 of the annual report for year ended 31 December 2005 (the "Annual Report"). All Directors have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries (collectively the "Group"). Each Executive Director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties have been carried out in an efficient and effective manner. None of the members of the Board have, in any respect, related to each other in any circumstances.

To improve the transparency and independency of the corporate governance of the Company, the fiduciary duties of the Chairman and the Managing Director of the Company are segregated and not executed by the same individual. The Chairman is responsible for the management of the Board and external corporate communication. The Managing Director is responsible for the day-to-day operation, including but not limited to, the implementation of the overall strategy of the Company.

In order to protect the interest of the shareholders of the Company (the "Shareholders"), the Company appointed five Independent Non-executive Directors with relevant and sufficient experience and qualification to perform their duties. All Independent Non-executive Directors are appointed with specific written terms by the Company.

The Company has received annual confirmation of independence from the five Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed and concluded that all the Independent Non-executive Directors are independent in view of the definition of the Listing Rules.

The Board held a full board meeting for four times for the financial year of 2005. Details of the attendance of the Board members were as follows:

<b>Executive Directors</b>		<b>Attendance</b>
Chuang Yueheng, Henry		2/4
King Phillip	(appointed on 22 April 2005)	2/2
Lo Kan Sun		3/4
Wong Ying Seung, Asiong		4/4
Chung Wilson	(redesignated as Non-executive Director on 15 September 2005)	3/3
Wong Wai Man, Raymond	(appointed on 22 April 2005 and resigned on 22 December 2005)	2/2
<b>Non-executive Directors</b>		
Lau Da Yip	(appointed on 15 April 2005 and resigned on 25 January 2006)	1/2
Chung Wilson	(appointed on 15 September 2005 and resigned on 1 December 2005)	1/1
<b>Independent Non-executive Directors</b>		
Lam Ping Cheung		2/4
Miu Frank H.		2/4
Nakajima Toshiharu	(appointed on 4 January 2005)	4/4
Lin Wai Yi	(appointed on 7 February 2005)	4/4
Pang Shuen Wai, Nichols	(appointed on 22 April 2005 and resigned on 25 January 2006)	1/2
Ong Peter	(resigned on 7 February 2005)	0/0

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Save for the above regular board meetings held for the financial year of 2005, the Board also held special meetings to discuss on any matters which required a decision from them. Notice of each board meeting and details of its agenda were delivered 14 days in advance to the Board. Minutes of each board meeting were sent to the Directors within 7 days after the meeting.

## REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005. As at the date of this report, the Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director:

Miu Frank H.	<i>(Independent Non-executive Director)</i>
Nakajima Toshiharu	<i>(Independent Non-executive Director)</i>
Wong Ying Seung, Asiong	<i>(Executive Director)</i>

The adopted terms of reference of the Remuneration Committee is in compliance with the Code Provision B.1.3.

The Remuneration Committee held a meeting during the financial year of 2005. Details of the attendance of the Remuneration Committee meeting were as follows:

<b>Committee members</b>		<b>Attendance</b>
Wong Ying Seung, Asiong	(appointed on 28 June 2005)	1/1
Pang Shuen Wai, Nichols	(appointed on 28 June 2005 and resigned on 25 January 2006)	1/1
Nakajima Toshiharu	(appointed on 28 June 2005)	1/1

## NOMINATION OF DIRECTORS

Nomination committee of the Company is not considered necessary after the assessment of the current situation of the Company. The Board will review the profile of current Directors and nominated directors (if any) on a regular basis in order to ensure that the composition of the Board is capable to fulfill its obligation and be responsible for the Company.

## AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit services performed by the external auditors. During the financial year of 2005, the remuneration of HK\$1,130,000 and HK\$160,000 were paid to the Company's auditors, Messrs Moores Rowland Mazars for the provision of audit services and the purpose of reviewing the financial information stated in the circular relating to major transaction respectively. The remuneration of HK\$18,000 was paid to Homan CPA Limited for the audit of a subsidiary of the Company.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in January 2003. The primary duties of the Audit Committee are to communicate with the management of the Company from time to time, including but not limited to, review the accounting principles and practices adopted by the Company, the effectiveness of its internal control systems, the interim and annual results of the Company. All members of the Audit Committee are Independent Non-executive Directors, which are as follows:

Lam Ping Cheung  
Miu Frank H.  
Nakajima Toshiharu  
Lin Wai Yi

The Audit Committee held two meetings during the financial year of 2005. Details of the attendance of the Audit Committee meetings were as follows:

<b>Committee members</b>		<b>Attendance</b>
Lam Ping Cheung		2/2
Miu Frank H.		2/2
Nakajima Toshiharu	(appointed as member on 4 January 2005)	2/2
Lin Wai Yi	(appointed as member on 7 February 2005)	2/2
Pang Shuen Wai, Nichols	(appointed as member on 22 April 2005 and resigned on 25 January 2006)	0/1
Ong Peter	(resigned as member on 7 February 2005)	0/0

The Company's unaudited interim results for the six months ended 30 June 2005 and audited annual results for the financial year ended 31 December 2005 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results have been complied with the applicable accounting standards.

## INTERNAL CONTROL REVIEW

Proper internal controls not only facilitate the effectiveness and efficiency of operations, ensuring compliance with laws and regulations, but most importantly, it helps to minimize risk exposure for the Company. The Company is committed to the identification, monitoring and management of risks associated with its business activities and has implemented practical and effective control systems. The Audit Committee has met with the management of the Company to review the existing internal control practice on a regular basis.

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## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors and Auditors are set out on page 25 of this Annual Report. The Directors acknowledge their responsibility to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company, and present the interim results, annual financial statements, and announcements to the Shareholders. The Directors aim to present a fair and reasonable assessment of the Company's position and prospects to the Shareholders and the relevant information required under the Listing Rules. As the Board is not aware of any material uncertainties relating to the events or conditions that may cause any significant doubt upon the going concern of the Company, the Board therefore continues to adopt the going concern approach in preparing the financial statements for the financial year of 2005.

## COMMUNICATIONS WITH SHAREHOLDERS

Individual resolution has been proposed by the Chairman in the general meetings in response to each substantial issue.

The Chairman, the chairman of the Audit Committee and the chairman of the Remuneration Committee, in the absence of the chairman of such committees, another member of the committees attended were available to answer questions in the annual general meeting and extraordinary general meeting.

## VOTING BY POLL

In order to ensure compliance with the requirements on the poll voting procedures, the Company informs the Shareholders in respect of the procedures for voting by poll and the rights of the Shareholders to demand a poll in accordance with the article 81 of the Articles of Association of the Company.

On behalf of the Board

**King Phillip**

*Managing Director*

Hong Kong, 13 April 2006