

Corporate Governance Report

The Board considers good corporate governance of the Company to be an essential element in the safeguarding of the interests of the shareholders, the enhancement of the integrity of the management, and ultimately the continuous improvement in the performance of the Group. The Company has applied the principles and has complied with all the applicable code provisions of the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2005, except for the following deviations which are explained in the relevant paragraphs below:

1. deviation from provision A.1.1 of the Code, as the board has met twice in 2005 instead of four times as stipulated in the Code;
2. deviation from provision A.2.1 of the Code, as the role of chairman and chief executive officer of the Company is not segregated; and
3. deviation from provision A.4.1, as the non-executive directors are not appointed for a specific term.

The Company intends to continuously review and amend the corporate governance practices and standards of the Company in a pragmatic and conscientious manner to ensure that business operations and decision making processes are implemented in a prudent and proper manner.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted since 2004 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 directors, followed specific enquiry by the Company, have confirmed that they have all complied with the standards as set out in the Model Code throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

Composition and role

The board of directors of the Company comprises:

Executive Directors	: HO Kian Guan (<i>Executive Chairman</i>) : HO Kian Hock (<i>Deputy Executive Chairman</i>) : TSE See Fan, Paul
Non-executive Director	: HO Kian Cheong
Independent Non-executive Directors	: CHAN Yau Hing, Robin KWOK Chi Shun, Arthur WANG Poey Foon, Angela

Corporate Governance Report (Continued)

The board comprises of three executive directors and four non-executive directors. Of the four non-executive directors, three of them are independent non-executive directors which represent more than one-third of the board. In addition, all three of the independent non-executive directors possess respectively appropriate professional qualifications and financial management expertise. The directors' biographical information is set out on pages 13 to 14 of the annual report.

The principal function of the board is on setting the overall strategic direction and investment focus of the Group. The board also monitors the financial performance and the internal controls of the Group's business activities. Day-to-day management of the Group's business is delegated to the management and the responsibilities and powers so delegated are periodically reviewed to ensure that they remain appropriate.

With wide respective professional experience in financial, architectural and legal fields, the independent non-executive directors bring and contribute to the board a balance of skills, independent judgment and insight into the setting of strategic direction, investment focus, performance evaluation, risk management of the Group through attendance at meetings of the board, the Audit Committee, the Remuneration Committee and general discussions with the executive directors.

The independent non-executive directors also serve the important functions of ensuring and monitoring the basis for an effective corporate governance framework. The board considers that each independent non-executive director to be independent in character and judgment and that they all meet the specific independence criteria as required under the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his or her independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

All directors are updated on governance and regulatory matters. Directors can obtain independent advice at the expense of the Company for the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

The board meets to review the overall strategic direction of the Group, to monitor the operations and to deal with any corporate and policy matters in respect of which its attention is required. The executive directors are responsible for drawing up and approving the agenda for each board meeting. Notices of at least 14 days have been given to all directors for all board meetings. Directors can include matters for discussion in the agenda if necessary. Agenda and board papers in respect of board meetings are sent out in full to all directors at least three business days prior to the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation.

Minutes of the board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information in a timely manner, enabling the board to make informed decisions on matters under discussion.

Corporate Governance Report (Continued)

Since 2004, new director has been given on appointment an orientation package, including information on the Group's company structure, details of major investments, the Company's Memorandum and Articles of Association, and other relevant information to familiarise the new director with the corporate affairs and operations of the Group.

There is no relationship between members of the board other than that Messrs. HO Kian Guan, HO Kian Hock and HO Kian Cheong are brothers.

During the year, the board has met twice and the individual attendance of each director is as follows:

Name of director	Number of board meetings attended	Attendance rate
HO Kian Guan	2/2	100%
HO Kian Hock	2/2	100%
TSE See Fan, Paul	2/2	100%
HO Kian Cheong	0/2	0%
CHAN Yau Hing, Robin	2/2	100%
KWOK Chi Shun, Arthur	2/2	100%
WANG Poey Foon, Angela	2/2	100%

EXECUTIVE CHAIRMAN

The Company had not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the executive directors. In respect of the management of the Board of Directors of the Company, the role was undertaken by Mr. HO Kian Guan, Executive Chairman of the Company. The board of directors is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The non-executive directors were not appointed for a specific term. In practice, however, all directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a director will not exceed three years.

NUMBER OF BOARD MEETINGS

Due to traveling schedule of the board members, the board has met twice during the year at two regular meetings. Four board meetings have been scheduled for the year 2006.

Corporate Governance Report (Continued)

AUDIT COMMITTEE

The Audit Committee of the Company was established in 1999. Its current members are:

CHAN Yau Hing, Robin (*Chairman of the Committee*)

KWOK Chi Shun, Arthur

WANG Poey Foon, Angela

All the members are independent non-executive directors. The board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering legal, business, accounting and financial management disciplines on the committee. The composition and the membership of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference covering the authority and duties of the Audit Committee conforms to the provisions of the Code.

The Audit Committee deliberates and meets to review the reporting of financial and other relevant information to shareholders, the scheme of internal controls, the risk management, and the effectiveness and objectivity of the audit process. The Audit Committee also provides one of the important links between the Company and the Company's auditors in matters within the Committee's terms of reference, and keep in view the independence and objectivity of the auditors. The Committee also reviews, provides comments and recommends to the board the approval of the terms of engagement and remuneration of the auditors of the Company.

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

During the year, two Audit Committee meetings were held. The attendance of each member is as follows:

Name of director	Number of meetings attended	Attendance rate
CHAN Yau Hing, Robin	2/2	100%
KWOK Chi Shun, Arthur	2/2	100%
WANG Poey Foon, Angela	2/2	100%

The Audit Committee had met twice with the Company's external auditors during 2005.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005. Its current members are:

TSE See Fan, Paul (*Chairman of the Committee*)

CHAN Yau Hing, Robin

KWOK Chi Shun, Arthur

WANG Poey Foon, Angela

Membership of the Remuneration Committee is appointed by the Board. The majority of the members are independent non-executive directors. The principal duties of the Remuneration Committee are to review and approve any service contracts to be entered into between executive directors and the Group, to review remuneration of senior management, and to make recommendation to the Board on the remuneration of non-executive directors. The Remuneration Committee ensures that no director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee conform to the provisions of the Code.

In 2005, the Remuneration Committee held one meeting, during which the committee reviewed director's fees and remuneration for 2002 to 2005.

The attendance of each member is as follows:

Name of director	Number of meetings attended	Attendance rate
TSE See Fan, Paul	1/1	100%
CHAN Yau Hing, Robin	1/1	100%
KWOK Chi Shun, Arthur	1/1	100%
WANG Poey Foon, Angela	1/1	100%

NOMINATION OF DIRECTORS

The board does not have a Nomination Committee. The directors have not considered the appointment of any new members to the Board during the year.

The board will carry out the process of identifying and selecting new directors on the basis of candidates' industry experience relevant to the business operation and development of the Group, professional qualifications, personal ethics, integrity, and time commitment. The board will also take into consideration the need to maintain and ensure that the board has a balance of skills, independent judgment, continuity and succession plan.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the Group's assets and the interests of the shareholders. The executive directors are responsible for the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The internal controls system will be continuously reviewed and updated to ensure that the Group's assets are safeguarded against loss and misappropriation, that proper accounting records are maintained to produce reliable financial information, that reasonable but not absolute assurance is provided against material fraud and errors, and that policies and procedures are in place to ensure compliance with applicable laws, regulations and relevant industry standards.

ACCOUNTABILITY AND AUDIT

The directors have responsibility for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the period. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policies and applied them consistently, approved adoption of all appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made judgments and estimates which are prudent and reasonable, and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the external auditors is set out below:

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration		
– Audit services	1,219	1,016
– Other services	306	273
	<u>1,525</u>	<u>1,289</u>

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to maintain a high level of transparency in its communications with shareholders and the investment community at large.

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the Company's annual general meetings, the Chairman of the Board, the executive directors and the Chairman of the Audit Committee were all present to attend to questions raised by shareholders.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of directors. At the Company's annual general meeting held in June 2005, all the resolutions were dealt with on a show of hands. All resolutions were unanimously passed. In addition, procedures for demanding a poll will be included in the circular to shareholders dispatched together with the annual report.

The Company has announced its annual and interim results in a timely manner during the year under review.

The Company is also committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to regulatory requirements. Meetings with institutional investors and analysts are conducted upon such requests being received. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communication are arranged and handled by the executive directors and designated senior executives according to established procedures of the Company.

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2005 and up to and including the date of this Annual Report as required by the Listing Rules.