

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which came into effect on 1st January, 2005.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the deviations from code provisions A.4.1, A.4.2 and B.1.1 summarised below:

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing non-executive Directors of the Company is appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company which provide that the Directors for the time being shall retire from office by rotation at each annual general meeting and a retiring Director shall be eligible for re-election.

Code Provision A.4.2

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under Bye-law 87, which was amended on 23rd December, 2005, the Directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring Director shall be eligible for re-election. Bye-law 87 was not amended at the commencement of the financial year under review.

Code Provision B.1.1

Code Provision B.1.1 requires listed issuers to establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee of the Company, which had been duly established on 16th September, 2005, was not set up at the commencement of the financial year under review.

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(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31st December, 2005.

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board comprises five executive Directors, namely, Mr. Lien Jown Jing, Vincent (Chairman), Mr. Lee Po On (Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Liu Ngai Wing and Mr. Cheung Wing Sum, Ambrose; three non-executive Directors, namely, Mr. Lam Kin Ming, Miss Tam Wai Chu, Maria and Madam U Po Chu; and three independent non-executive Directors, namely, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl.

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(3.3) The Board met four times in 2005. The attendance record of individual directors at these board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
Executive Directors		
Lien Jown Jing, Vincent (<i>Chairman</i>)	4	4
Lee Po On (<i>Chief Executive Officer</i>)	4	4
Lam Kin Ngok, Peter	4	0
Liu Ngai Wing	4	2
Cheung Wing Sum, Ambrose	3	2
Non-Executive Directors		
Lam Kin Ming	4	0
Tam Wai Chu, Maria	4	3
U Po Chu	4	0
Independent Non-Executive Directors		
Alfred Donald Yap	4	4
Low Chee Keong	4	3
Tong Ka Wing, Carl	4	4

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ngok, Peter, an executive director, is the son of Madam U Po Chu, and the younger brother of Mr. Lam Kin Ming, the latter two being non-executive directors.

Save as disclose above and in the “Biographical Details of Directors and Senior Management” section of this Annual Report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual.

During the year under review, Mr. Lien Jown Jing, Vincent was the Chairman of the Company while Mr. Lee Po On acted as the Chief Executive Officer of the Company.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive Directors of the Company is appointed for a specific term.

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 16th September, 2005, which comprises two independent non-executive Directors, namely, Messrs. Tong Ka Wing, Carl (Chairman), and Alfred Donald Yap, and the chief executive officer, Mr. Lee Po On.

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- (6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the chairman of the Board and/or the chief executive officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.
- (6.3) The Remuneration Committee held one meeting during the year under review to discuss remuneration-related matters. All members of the Committee, namely, Messrs. Tong Ka Wing, Carl, Alfred Donald Yap, and Lee Po On attended the aforesaid meeting.
- (6.4) The Remuneration Committee reviewed the incentive policy for directors, senior management and eligible employees of the Company during the year, and recommended to the Board the adoption of a new share option scheme in place of the old share option scheme previously adopted by the Company on 25th November, 1996.

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

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(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK\$1,280,000 for the year under review. The Company has not engaged the auditors for any significant non-audit service assignments during the year.

(9) AUDIT COMMITTEE

- (9.1) The Board established an Audit Committee on 29th April, 1999, which currently comprises the three independent non-executive directors, namely, Messrs. Alfred Donald Yap (Chairman), Low Chee Keong and Tong Ka Wing, Carl.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

- (9.2) The Audit Committee held two meetings during the year under review. All members of the Audit Committee, namely, Messrs. Alfred Donald Yap, Low Chee Keong and Tong Ka Wing, Carl, attended all the meetings.
- (9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.