

Corporate Governance Report

(a) Corporate governance practices

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2005, in compliance with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited, which came into effect on 1 January 2005, except for the following deviations:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

All non-executive directors of the Company are appointed for a specific term but are not subject to re-election. The Directors is aware of such deviation and propose to amend the Articles of Association of the Company to comply with this code accordingly at the forthcoming annual general meeting to be held on 16 June 2006.

Code Provision B.1.1 stipulates that issuers should 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 Company set up a Remuneration Committee in accordance with the relevant requirements of the Code on 21 September 2005. The Committee comprises four members, including three independent non-executive directors namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam and one executive director namely Mr. So Kwok Hoo. The Committee is chaired by Mr. Kee Wah Sze.

(b) Directors' securities transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules and its code of conduct regarding securities transactions by directors (the "Code of Conduct"). The Directors have made enquiry to all directors of the Company to confirm that they have complied with the Code of Conduct during the year ended 31 December 2005.

(c) Board of directors

The Board of directors comprises 3 independent non-executive directors and 3 executive directors. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Details of backgrounds and qualifications of the directors are set out in the section of "Biographical Details of Directors".

The attendance records of all board meeting in 2005 are set out below:

Number of meetings held in 2005	6
<i>Executive Directors</i>	
Wong Lik Ping	2/6
So Kwok Hoo	6/6
Li King Luk	0/6
<i>Independent non-executive directors</i>	
Kee Wah Sze	2/6
Choi Wai Yin	3/6
Chan Pat Lam	4/6

(d) Chairman and chief executive officer

Chairman and chief executive officer of the Company are Mr. Wong Lik Ping and Mr. So Kwok Hoo respectively.

(e) Independent non-executive directors

Mr. Kee Wah Sze, Mr. Choi Wai Yin and Chan Pat Lam are independent non-executive directors and were appointed for a one-year term expiring on 31 December 2006, 30 June 2006 and 31 December 2006 respectively.

(f) Remuneration of directors

The Company set up a Remuneration Committee in accordance with the relevant requirements of the Code on 21 September 2005. The Committee comprises four members, including three independent non-executive directors namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam and one executive director namely Mr. So Kwok Hoo. The Committee is chaired by Mr. Kee Wah Sze.

The role and function of the Remuneration Committee included the determination of the specific remuneration packages of all executive and non-executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the directors. The Remuneration Committee should consider factors such as salaries index, time commitment and responsibilities of the directors.

Details of the directors' remuneration are set out in note 14 to the financial statements.

The attendance records of Remuneration Committee meeting in 2005 are set out below:

Number of Remuneration Committee meetings held in 2005	1
<i>Name of members</i>	
Kee Wah Sze	0/1
So Kwok Hoo	1/1
Choi Wai Yin	1/1
Chan Pat Lam	1/1

(g) Nomination of directors

The board of directors considered that nomination committee was not necessary to set up as the board of directors takes the role and function of nomination committee. During the year ended 31 December 2005, no new appointment or resignation of the directors was considered.

(h) Audit committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code of the Best Practice for the purposes of reviewing and supervision over the Groups' financial reporting process and internal controls. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The primary roles and functions of the Audit Committee are to review and supervise the financial reporting process and internal controls systems of the Group. The Audit Committee is also responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions would led to any potential material adverse effect on the Company.

The Audit Committee comprises three independent non-executive directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam. The Committee is chaired by Mr. Choi Wai Yin.

(h) Audit committee *(cont'd)*

The attendance records of Audit Committee meeting in 2005 are set out below:

Number of Audit Committee meetings held in 2005	2
<i>Name of members</i>	
Choi Wai Yin	2/2
Kee Wah Sze	0/2
Chan Pat Lam	2/2

The Group's unaudited financial report for the six months ended 30 June 2005 and annual audited financial report for the year ended 31 December 2005 have been reviewed by the Audit Committee.

(i) Auditors remuneration

An analysis of remuneration in respect of audit and non-audit services provided by Grant Thornton for the year ended 31 December 2005 is as follows:

	HK\$
Audit services	320,000
Non-audit services	106,000
	426,000

(j) Internal Control

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control systems.

(k) Investors Relations

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Company's annual general meeting is a valuable forum for the directors to communicate directly with the shareholders.