

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the period ended 31st December, 2005 (the "period under review"), save for the deviations discussed below. The following sections set out the principles in the CG Code as they have been applied by the Company, including any deviations therefrom, for the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Code of Conduct"). The Code of Conduct applies to the directors of the Company (the "Directors"), employees of the Company and managers or directors of subsidiaries. The directors of the Company have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

BOARD OF DIRECTORS

The Company is headed by the board of Directors (the "Board"). Matters that needed to be determined or considered by the Board include overall group strategies, substantial investments, acquisitions and disposals, annual and interim results, recommendations on the appointment or re-election of directors and other substantial operating and financial matters. Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management.

Each Director, upon reasonable request, is given access to independent professional advice in circumstances he/she may deem appropriate and necessary for the discharge of his/her duties to the Company, at the expense of the Company.

During the period under review, the Board held meetings which were participated by the Directors either in person or through other electronic means of communication. The attendance record of each Director is set out below:

Names of Directors	Attendance	Remarks
Executive Directors		
Mr. Ji Guirong (<i>Chairman</i>)	7/8	Appointed on 13th January, 2005
Mr. Lo Chi Ho, William (<i>Chief Executive Officer</i>)	4/4	Appointed on 17th May, 2005
Mr. Sun Wenhao	8/8	Appointed on 13th January, 2005
Mr. Wu Ding	4/7	Appointed on 1st February, 2005
Mr. Ji Hui	4/4	Appointed on 17th May, 2005
Dr. Han Hsiao Yue, George	7/9	Retired on 15th November, 2005
Mr. Liu Yangu	5/9	Retired on 15th November, 2005
Ms. Ka Ying	7/9	Retired on 15th November, 2005
Independent Non-executive Directors		
Mr. Wang Zhonghua	8/8	Appointed on 13th January, 2005
Mr. Zhong Qiang	7/7	Appointed on 1st February, 2005
Mr. Xiao Wei	4/4	Appointed on 17th May, 2005
Mr. Li Xinzhong	9/9	Resigned on 7th December, 2005
Mr. Tian Jianli	7/9	Retired on 15th November, 2005
Ms. Li Zheng	4/9	Retired on 15th November, 2005

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TERMS OF THE DIRECTORS

Each newly appointed Director is subject to retirement and re-election at general meetings. One-third of the Directors, including independent non-executive Directors are subject to retirement by rotation and re-election at each annual general meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Ji Guirong (appointed on 13th January, 2005) and the Chief Executive Officer is Mr. Lo Chi Ho, William (appointed on 30th December, 2005), succeeding Dr. Han Hsiao Yue, George who retired on 15th November, 2005. The roles of the Chairman and the Chief Executive Officer are clearly defined to ensure their independence, accountability and responsibility.

The Chairman provides leadership for the Board; ensures that the Board works effectively and discharges its responsibilities; draws up/approves the agendas for Board meetings taking into account any matters proposed by the other directors for inclusion in the agendas; and ensures agendas together with Board papers are circulated as soon as possible and ensures all directors are properly briefed on issues arising at Board meetings. The Chief Executive Officer is responsible for day-to-day management of the Group's business.

RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company. The Directors are not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The responsibility of the auditors with respect to the financial statements are set out in the Report of the Auditors in this annual report.

INTERNAL CONTROL SYSTEMS

Reviews of the internal control systems are conducted periodically. The Directors consider that the Company has implemented adequate internal control procedures for safeguarding the Company's assets against unauthorized use or misappropriation, maintaining proper accounting records, and ensuring the reliability of financial information. Meanwhile, the Directors are aware that there are rooms for the Company to continue improvement on its control over its operations, compliance monitoring and risk management.

REMUNERATION OF DIRECTORS

A Remuneration Committee was established by the Board on 17th May, 2005. It consists of three members, one executive Director and two independent non-executive Directors, namely: Mr. Ji Guirong, Mr. Zhong Qiang and Mr. Xiao Wei (replacing Mr. Li Xinzhong after his resignation on 7th December, 2005). The roles of the Remuneration Committee, under its terms of reference, include making recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management, reviewing and approving performed-based remuneration by reference to corporate goals and objectives resolved by the Board. During the period under review, the Remuneration Committee has passed three resolutions regarding the remuneration given to the Directors.

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NOMINATION OF DIRECTORS

The Board is responsible for consideration and approval on nominations, appointment of Directors and Board succession. The aim is to appoint individuals with the relevant experience and capabilities to maintain and improve the competitiveness of the Company. The Board is also responsible to review the size, structure and composition of the Board, and assess the independence of its independent non-executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code.

AUDITORS' REMUNERATION

The auditors of the Group is Deloitte Touche Tohmatsu. For the period under review, the Group was charged HK\$1.38 million (2004: HK\$1.08 million) for the audit services. The amount paid by the Group for taxation computation review provided by Deloitte Touche Tohmatsu was insignificant.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors. The Audit Committee held three meetings during the period under review. The external auditors are also invited to attend the Audit Committee meetings. The individual attendance of each committee member is set out below:

Names of Directors	Attendance	Remarks
Mr. Wang Zhonghua	2/2	Appointed on 13th January, 2005
Mr. Zhong Qiang	2/2	Appointed on 1st February, 2005
Mr. Xiao Wei	0/0	Appointed as a member of audit committee on 7th December, 2005
Mr. Li Xinzhong	3/3	Resigned on 7th December, 2005
Mr. Tian Jianli	1/2	Retired as a member of audit committee on 17th May, 2005
Ms. Li Zheng	1/2	Retired as a member of audit committee on 17th May, 2005

Under its terms of reference, the Audit Committee assists the Board to fulfil its responsibilities in financial reporting, internal control, and risk management.