

Corporate Governance Report

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules throughout the year. Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

Directors’ Securities Transactions

The Company has adopted the required standard of dealing set out in Appendix 10 of the Listing Rules (the “Required Standard”) as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company’s interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

The Board of Directors

The Board consists of three Independent Non-executive Directors that is more than one-third of the Board. As at the date of this report, the Board comprises seven Directors, of which four are Executive Directors. Members of the Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. There are total of 6 board meetings held during the year.

Attendance of individual Directors at Board Meetings held during the year:–

Executive Directors		Attendance	Percentage
Mr. Sze Wai, Marco		6/6	100%
Mr. Chu Chi Shing		6/6	100%
Mr. Song Jing Sheng	(appointed on 1 May 2005)	2/2	100%
Mr. Gu Peijian		6/6	100%
Mr. Wang Qing	(retired on 31 May 2005)	3/4	75%
Mr. Ye Long	(resigned on 16 February 2005)	0/1	0%
Independent Non-executive Directors			
Mr. Wong Po Yan		5/6	83%
Mr. Mao Zhenhua		4/6	67%
Mr. Chong Yiu Kan, Sherman		4/6	67%

The Managing Director of the Company performs the function of chairman and is responsible for leadership and management of the Board, the overall corporate direction, corporate strategy and policy making of the group. The Company’s Chief Executive Officer is responsible for overall management, business development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Managing Director and the Chief Executive Officer are distinctive. Also, there were no special relationship (including financial, business, family or other material/relevant relationships) among existing members of the Board and in particular, between the Managing Director and the Chief Executive Officer.

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Remuneration Committee

The Remuneration Committee comprises four members, a majority of whom are independent Non-executive Directors, and is chaired by Mr. Wong Po Yan. The Remuneration Committee is aimed to review and determine the remuneration policy and packages of the executive directors and executives.

The Remuneration Committee is scheduled to meet at least once a year for the determination of the remuneration packages of Directors and executives of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Remuneration Committee Meeting held during the year:–

Independent Non-executive Directors	Attendance	Percentage
Mr. Wong Po Yan	1/1	100%
Mr. Mao Zhenhua	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

Nomination Committee

The Nomination Committee comprises four members, a majority of whom are independent Non-executive Directors, and is chaired by Mr. Mao Zhenhua. The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition of the Board. In addition, the Nomination Committee also meets as and when required to consider nomination related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Nomination Committee Meeting held during the year:–

Independent Non-executive Directors	Attendance	Percentage
Mr. Wong Po Yan	1/1	100%
Mr. Mao Zhenhua	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

Auditors' Remuneration

The Company reviews the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditors for the annual audit amounted to HK\$1,461,000 and fee for non-audit related activities amounted to HK\$1,426,000.



Audit Committee

Under its terms of reference which are aligned with the code provisions set out in the Code, the Audit Committee is required to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditors, Executive Directors and senior executives are invited to attend the meetings, if required. None of the Audit Committee members are members of the former or existing employees of the Company.

The Audit Committee met two times during the year and the attendance of each member is set out as follows:

Independent Non-executive Directors	Attendance	Percentage
Mr. Chong Yiu Kan, Sherman (<i>Chairman</i>)	2/2	100%
Mr. Mao Zhenhua	2/2	100%
Mr. Wong Po Yan	2/2	100%

Internal Control and Risk Management

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

Investor Relations

The Company uses two-way communication channels to account to shareholders and investors for the performance of the company. All the shareholders have 21 days' notice of annual general meeting at which directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its Annual Report and Accounts and Interim Report which are sent to shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the Stock Exchange website.

In order to provide effective disclosure to shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.