



The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

■ DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ■

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create value for shareholders.

The Chief Executive Officer (CEO) is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

Pursuant to code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said code provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005. The Company will conduct a review of its internal control system in year 2006.

■ THE BOARD ■

Composition

The Board consists of four executive directors and three independent non-executive directors ("INED(s)"), two of whom namely Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 7 to 8 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. The term of office of Mr. Chan Kwok Wai and Mr. Leung Man Kit are for a period of two years until 30 December 2006 and Mr. Lam Man Sum, Albert is for a period of two years until 24 September 2006 subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management and Chief Executive Officer.



The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board held three regular Board meetings at approximately quarterly interval during the year 2005. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings in 2005

Number of meetings	4
Executive Director	
Zhou Chu Jian He	3/4
Yiu Yu Keung, George	4/4
Li Jong Tong, Timothy	2/4
Zhang Xiao Bing, Adam	2/4
INEDs	
Chan Kwok Wai	4/4
Leung Man Kit	4/4
Lam Man Sum, Albert	3/4

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

■ BOARD COMMITTEES ■

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.



■ AUDIT COMMITTEE ■

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors.

Set out below is the summary of work done in year 2005:

- to review the financial statements for the year ended 31 December 2004 and for the six months ended 30 June 2005;
- to review the auditors' statutory audit plan and the letters of representation; and
- to consider and approve the 2005 audit fees and audit work.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2005

Number of meetings	3
INED	
Chan Kwok Wai (<i>Chairman of the Committee</i>)	3/3
Leung Man Kit	3/3
Lam Man Sum, Albert	2/3



■ REMUNERATION COMMITTEE ■

The Board has established a Remuneration Committee, comprising three INEDs appointed by the Board, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive directors and the senior management.

Set out below is the summary of work of the Remuneration Committee done in year 2005:

- to review of the remuneration policy for 2005/2006; and
- to review of the remuneration of the executive directors and the INEDs and the senior management.

The Remuneration Committee held one meeting during 2005. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meetings in 2005

Number of meetings	1
INEDs	
Leung Man Kit (<i>Chairman of the Committee</i>)	1/1
Chan Kwok Wai	1/1
Lam Man Sum, Albert	1/1

■ OTHER INFORMATION ■

The Company had not established its own website. Full text of the terms of reference of Audit Committee and Remuneration Committee will be supplied upon request.

■ MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ■

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

■ AUDITORS' REMUNERATION ■

During the year, the fees paid to the Company's auditors amounted to HK\$500,000, all of which was incurred for audit services.



■ SHAREHOLDER COMMUNICATION ■

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the chairman at the general meeting.

At the 2005 annual general meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The Chairman of the Board of Directors, Audit Committee and Remuneration Committee attended the 2005 Annual General Meeting to answer questions of shareholders.

■ DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS ■

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The Statement of the Auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 20.