

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasises accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) through the adoption of relevant practices and procedures during the year ended 31 December 2005 with the exception that Non-executive Directors are not appointed for a specific term; the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from office by rotation at least once every three years notwithstanding that the director is not required to do so by the Articles of Association.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the “Board”) of the Company is composed of 9 Directors, including the Chairman who is an Executive Director, 2 Vice-chairmen who are Executive Directors, a Managing Director who is an Executive Director, 2 additional Executive Directors and 3 Independent Non-executive Directors, one-third of the Board is Independent Non-executive Directors and a majority of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors on pages 7 to 8.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the “Group”). Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise as one of the members of the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company still considers the Independent Non-executive Directors to be independent.

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Formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, devotion of time, conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board meets once with a majority of Directors present. According to the Articles of Association of the Company, one-third of the Directors are subject to re-election. Non-executive Directors are not appointed for a specific term. These deviate from the CG Code in which it states that all Non-executive Directors must be appointed for a specific term and all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, all Non-executive Directors have agreed to limit their term to comply with the CG Code. Moreover, every Director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and management of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

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The Board meets regularly. Four board meetings were held in 2005:

	Attendance
<i>Executive Directors</i>	
Ng Hung Sang (<i>Chairman</i>)	4/4
Richard Howard Gorges (<i>Vice-chairman</i>)	4/4
Cheung Choi Ngor (<i>Vice-chairman</i>)	3/4
Chan Hing Wah (<i>Managing Director</i>)	4/4
Ng Chun Sang	2/4
Ng Yuk Yeung, Paul	4/4
<i>Independent Non-executive Directors</i>	
Wong Siu Yin, Elizabeth	4/4
Raymond Arthur William Sears	4/4
Tung Woon Cheung, Eric	4/4

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2005.

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 25.

AUDITORS' REMUNERATION

For the year ended 31 December 2005, the Auditors of the Company received approximately HK\$839,000 for audit service. No non-audit service was provided by the Auditors in 2005.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 10 March 2005 and comprises all the Independent Non-executive Directors. The Committee members are Mr. Tung Woon Cheung, Eric (Chairman of the Committee), Ms. Wong Siu Yin, Elizabeth and Hon. Raymond Arthur William Sears, Q.C.. The policy for the remuneration of Executive Directors was reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors is based on skills, knowledge, involvement and performance of the individuals in the Company with reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

The Remuneration Committee Members meet regularly. Two meetings of the Remuneration Committee were held in 2005:

	Attendance
Tung Woon Cheung, Eric	2/2
Raymond Arthur William Sears	2/2
Wong Siu Yin, Elizabeth	1/2

Remuneration, comprising directors' fees, of Independent Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

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AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors, Ms. Wong Siu Yin, Elizabeth (Chairman of the Committee), Hon. Raymond Arthur William Sears, Q.C., and Mr. Tung Woon Cheung, Eric. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, participation in the discussion of change of Auditors and review of their independence, review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Audit Committee Members meet regularly. Two meetings of the Audit Committee were held in 2005:

	Attendance
Wong Siu Yin, Elizabeth	1/2
Raymond Arthur William Sears	2/2
Tung Woon Cheung, Eric	2/2

The Committee is satisfied with the findings of their review of the audit fees, process and effectiveness and has recommended to the Board the re-appointment of the Auditors in 2006 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2005 were reviewed by the Audit Committee.