

Corporate Governance Report

The Board of Directors is committed to ensure that an effective self-regulatory and monitoring mechanism exists and is practised in conducting the business of the Group whenever suitable and appropriate.

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions set out in Appendix 14 “Code on Corporate Governance Practices” (the “Code”) to the Listing Rules throughout the year ended 31st December 2005 except that:

- (i) the notice given to regular Board meeting may be less than 14 days because it is challenging to arrange for a meeting that suits all participants whom with tight and busy schedules; and
- (ii) the terms of reference of Audit Committee, Remuneration Committee and Nomination Committee can only be available upon request since no website of the Company is being set-up.

The Stock Exchange issued the Code in 2004 and requires all the listed issuers to include a report on corporate governance practices which contains all information set out in paragraph 2 of the Appendix 23 to the Listing Rules. The Code provides the code provisions and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and policies satisfied the requirements of the Code provisions and will continuously enhance the corporate governance standards so as to ensure further standards to be put in place by reference to the recommended best practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied throughout the year ended 31st December 2005 with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Company is headed by the Board with responsibility for leadership and control of the Company. The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Composition

The Board currently consists of:

Executive Directors

Kong Dong (Chairman)

Chuang Shih Ping

Zhang Xianlin

Zhao Xiaohang

Tsang Hing Kwong, Thomas

Gu Tiefei

Corporate Governance Report (Cont'd)

BOARD OF DIRECTORS (Cont'd)

Independent Non-executive Directors

Lok Kung Nam
 Hu Hung Lick, Henry
 Ho Tsu Kwok, Charles
 Li Kwok Heem, John
 Chan Ching Har, Eliza

The business exposure, professional qualifications and wide experience of the Directors enable themselves to bring valuable contribution and advice for the development and the performance of the Company.

The number of independent non-executive Directors exceeds one-third of the total members of the Board and one of them has the appropriate accounting qualifications as required under the Listing Rules. The Company has received from each of the independent non-executive Director a confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

Delegation

The Board has set up three committees to assist in discharge part of its duties, namely Audit Committee, Nomination Committee and Remuneration Committee.

Meeting

The Board conducts both regular and ad-hoc meetings. Ad-hoc meetings are convened when required. The individual Director's attendance rate during the year is as set out below:

Name of Directors	Attendance rate
Kong Dong	100%
Chuang Shih Ping	100%
Zhang Xianlin	0%
Zhao Xiaohang	100%
Tsang Hing Kwong, Thomas	100%
Gu Tiefei	100%
Lok Kung Nam	50%
Hu Hung Lick, Henry	0%
Ho Tsu Kwok, Charles	0%
Li Kwok Heem, John	100%
Chan Ching Har, Eliza	50%

CHAIRMAN AND GENERAL MANAGER

To ensure a clear distinction in the responsibility of the Chairman to manage the Board and that of the General Manager (equivalent to Chief Executive Officer) to manage the Company's business, there have a clear division of the responsibilities at the board level to ensure a balance of power and authority by segregation of duties of the Chairman and the General Manager. The Chairman is responsible for the leadership and ensuring properly functioning of the Board whereas the General Manager is delegated with the authority and responsible for running the Group's business, and implementation of the major strategies and initiatives adopted by the Board in achieving the overall objectives.

REMUNERATION OF DIRECTORS

The Remuneration Committee is responsible for considering and determining the remuneration policy for the executive Directors of the Company and senior management of the Group.

The Remuneration Committee comprises of three members of which majority are independent non-executive Directors. The chairman of the Remuneration Committee is Ms. Chan Ching Har, Eliza and two meetings were held since its establishment. The individual member's attendance rate is as set out below:

Name of members	Attendance rate
Chan Ching Har, Eliza (Chairman)	100%
Zhao Xiaohang	100%
Li Kwok Heem, John	100%

NOMINATION OF DIRECTORS

The Nomination Committee is responsible for nominating potential candidates for directorship and making recommendations to the Board on appointments. The Company adopted a formal and transparent procedure for the appointment to the Board. Any proposed appointment should be considered and reviewed by the Nomination Committee before making recommendation to the full Board for consideration.

The Nomination Committee comprises of three members of which majority are independent non-executive Directors. The chairman of the Nomination Committee is Dr. Hu Hung Lick, Henry and one meeting was held since its establishment. The individual member's attendance rate is as set out below:

Name of members	Attendance rate
Hu Hung Lick, Henry (Chairman)	100%
Kong Dong	100%
Chan Ching Har, Eliza	100%

Corporate Governance Report (Cont'd)

AUDITORS' REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditors of the Company at the 2005 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK\$1,170,000 was paid to PricewaterhouseCoopers for the provision of audit services. Details of nature for non-audit related services provided by and the fee paid to PricewaterhouseCoopers are set out as below:

Description	HK\$'000
Taxation compliance	11
Agreed-upon procedures	624

AUDIT COMMITTEE

The Audit Committee is principally responsible for reviewing the Group's financial reporting, the nature and scope of audit/review as well as the effectiveness of the system of internal control and compliance.

The Audit Committee comprises of three members, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lok Kung Nam and two meetings were held during the year under review. The individual member's attendance rate during the year is as set out below:

Name of members	Attendance rate
Lok Kung Nam (Chairman)	100%
Hu Hung Lick, Henry	100%
Li Kwok Heem, John	100%