

COMMITMENT TO CORPORATE GOVERNANCE

The Group is committed to upholding good corporate governance because the Group believes that good corporate governance is important to maximize shareholder value.

THE BOARD

The Board comprises seven Directors as follows.

Executive Directors:

Mr. Tsang Shui Ching, Patrick (*Chairman*)
Mr. Zhou Anmin (*Chief Executive Officer*)
Mr. Lou Chong Wei
Mr. Shu Yi Jin

Independent Non-executive Directors:

Mr. Keung Ping Yin, Raymond
Mr. Wong Yiu Sun, Peter
Mr. Lu Yan Sun

The posts of Chairman and Chief Executive Officer are held separately to reinforce their respective independence, accountability and responsibility. The Independent Non-executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders.

The Company has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

TERM OF APPOINTMENT AND RE-ELECTION

All the Independent Non-executive Directors are appointed for one year from the Listing Date.

Under the Company's existing articles of association, one-third of the Directors must retire by rotation at each annual general meeting. Mr. Tsang, Mr. Zhou and Mr. Shu Yi Jin will retire by rotation at the forthcoming annual general meeting of the Company and are all eligible to offer themselves for re-election.

BOARD MEETINGS

The Board met 4 times during the year in May, September and October 2005. At the meetings, the Directors discussed and considered the listing matters of the Company, interim results, internal control, financial performance, the connected transactions described in “Connected Transactions” of the Report of the Directors and other important issues of the Group. Day-to-day operations of the Group are delegated to management.

Details of Directors’ attendance at Board meetings held in 2005 are as follows:

Directors	Attendance
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Executive Directors

Mr. Tsang Shui Ching, Patrick	4/4
Mr. Zhou Anmin	4/4
Mr. Lou Chong Wei	4/4
Mr. Shu Yi Jin	4/4

Independent Non-executive Directors

Mr. Keung Ping Yin, Raymond	4/4
Mr. Wong Yiu Sun, Peter	3/4
Mr. Lu Yan Sun	4/4

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) in May 2005 comprising of Mr. Keung Ping Yin, Raymond, Mr. Wong Yiu Sun, Peter and Mr. Lu Yan Sun, all of whom are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Keung Ping Yin, Raymond.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through maintaining an appropriate relationship with the Company’s external auditors, reviewing financial information of the Group, and reviewing and supervising the financial reporting process and internal control system of the Group.

AUDIT COMMITTEE *(continued)*

The terms of reference of the Audit Committee was included in the Company's website on 15 March 2006.

The Audit Committee held one meeting during the year. Details of the members' attendance at the meeting are as follows:

Members	Attendance
Mr. Keung Ping Yin, Raymond	1/1
Mr. Wong Yiu Sun, Peter	0/1
Mr. Lu Yan Sun	1/1

The Group's unaudited interim results and annual audited results during the year ended 31 December 2005 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

A remuneration committee (the "**Remuneration Committee**") was established by the Company in May 2005, comprising of Mr. Tsang, Mr. Keung Ping Yin, Raymond and Mr. Wong Yiu Sun, Peter, the latter two being the Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Tsang.

The responsibility of the Remuneration Committee is to assist the Board in setting Directors' remuneration policy and other remuneration related matters through (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration package of all executive Directors and senior management and making recommendations to the Board on the remuneration of non-executive Directors; (iii) reviewing and approving performance-based remuneration, compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment, and compensation arrangements relating to dismissal or removal of Directors for misconduct; and (iv) ensuring no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee was included in the Company's website on 15 March 2006.

No formal meeting was held by the Remuneration Committee during the period from the Listing Date to 31 December 2005. Nevertheless, the remuneration of all the Directors for the year has been reviewed by the members of Remuneration Committee, all of whom were of the opinion that the remuneration of the Directors was reasonable.

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year, the Company has incurred an aggregate fee of approximately HK\$1 million to the external auditors for its auditing services.

DIRECTORS' AND AUDITORS, RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 25 of this report.

INTERNAL CONTROL

The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, management and both internal and external auditors. The Board believes that the present internal control system is adequate and effective.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the Code on Corporate Governance (the "**Code on Corporate Governance**") set out in Appendix 14 of the Listing Rules by taking them into account in formulating its corporate governance practices. The Company has also adopted the code provisions of the Code on Corporate Governance.

Subject to the deviations set out below, the Company has complied with the code provisions of the Code on Corporate Governance:

- (i) as the Company's website had been under construction, the terms of reference of the Remuneration Committee and the Audit Committee were not included in the Company's website until 15 March 2006;
- (ii) the Company adopted the Model Code for Securities Transaction by Relevant Employees on no less exact terms than the Model Code on 24 April 2006 as the Company's shares are listed in Hong Kong and most of its employees are in the PRC which imposes strict limitations on their ability to trade in the shares.

MODEL CODE

The Company has adopted the Model Code. The Company has made specific enquiries of all the Directors and each of the Directors has confirmed that, for the year ended 31 December 2005, they have complied with the required standard set out in the Model Code.