

# Corporate Governance Report

## Corporate Governance Practices

The Company is committed to maintain good corporate governance practices. For the year ended 31 December 2005, in the opinion of the Board, the Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.4.2 in respect of retirement of every director by rotation at least once every three years. In order to ensure full compliance with the code provision A.4.2, a special resolution will be proposed to amend the relevant provisions of the articles of association (the “Articles”) of the Company at the coming annual general meeting of the Company.

## Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiry of the Directors, the Company has confirmed that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2005.

## Board of Directors

As at 31 December 2005, the Board comprised eight Directors, including five executive Directors and three independent non-executive Directors. The term of office for all Directors (including the independent non-executive Directors) is specified for a term of three years subject to retirement by rotation and re-election at each annual general meeting under the Articles. Biographical details of the Directors are set out in the section headed “Profile of Directors and Senior Management” on pages 19 to 21 of the annual report.

The composition of the Board, by category, is set out below:

Executive Directors:	Mr. Tai Chin Chun ( <i>Chairman</i> ) Mr. Tai Chin Wen Ms. Cheung So Wan Ms. Wong Siu Yuk Mr. Chong Chau Lam
Independent non-executive Directors:	Mr. Chan Yuk Tong, Jimmy Ms. Chu Hak Ha, Mimi Mr. Ku Shiu Kuen, Anthony

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There is no relationship among members of the Board except for the family relationship between Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and their spouses are Ms. Cheung So Wan and Ms. Wong Siu Yuk respectively.

The Board has a balance of skills and various expertises to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and acts in the best interests of the Group as a whole. The independent non-executive Directors exercise independent judgements and opinions on the Board's affairs through the contribution at board meetings and committee meetings. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

During the year of 2005, the Board convened four full board meetings and the individual attendance of each Director at these meetings is set out below:

Name of Director	Notes	Attendance	Rate (%)
<b>Executive Directors:</b>			
Mr. Tai Chin Chun ( <i>Chairman</i> )		4/4	100%
Mr. Tai Chin Wen		4/4	100%
Ms. Cheung So Wan		4/4	100%
Ms. Wong Siu Yuk		4/4	100%
Mr. Chong Chau Lam	(i)	3/3	100%
<b>Independent non-executive Directors:</b>			
Mr. Chan Yuk Tong, Jimmy		4/4	100%
Ms. Chu Hak Ha, Mimi		4/4	100%
Mr. Chong Chau Lam	(i)	1/1	100%
Mr. Ku Shiu Kuen, Anthony	(ii)	3/3	100%

*Notes:*

- (i) Mr. Chong Chau Lam was re-designated from an independent non-executive Director to an executive Director and resigned as a member of the audit committee of the Company on 1 July 2005.
- (ii) Mr. Ku Shiu Kuen, Anthony was appointed as an independent non-executive Director and a member of the audit committee of the Company on 1 July 2005.

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In order to enhance an active contribution to the Board's affairs by the Directors, the Chairman has arranged to convene a regular full board meeting at quarterly intervals to review the financial and operating performance of the Group. To ensure that good corporate governance practices and procedures are established, the Chairman has delegated the company secretary to draw up and approve the agenda for each board meeting. Notice of at least 14 days has been given to the Directors for a regular board meeting and the Directors can add matters for discussion in the agenda, if necessary. Draft and final minutes of all regular board meetings have been sent to the Directors for comment and records respectively within a reasonable time after the board meeting is held.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules. The Board includes three independent non-executive Directors, which represent more than one-third of the Board. In addition, one of the independent non-executive Directors possesses the requisite appropriate professional accounting qualifications.

The Company has received from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent.

### Chairman and Chief Executive Officer

The executive Directors, Mr. Tai Chin Chun and Mr. Tai Chin Wen, served as the Chairman and the Chief Executive Officer of the Company respectively. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen.

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is primarily responsible for the leadership of the Board and the formulation of overall strategic development of the Group, while the Chief Executive Officer is primarily responsible for the day-to-day management of the Group's business.

### Remuneration Committee

The Company has established a remuneration committee on 16 September 2005 with defined written terms of reference, which are available to shareholders of the Company upon request and are of no less exacting terms than those duties set out in the Code. To reinforce independence, a majority of members of the remuneration committee are independent non-executive Directors.

As at 31 December 2005, the remuneration committee comprised three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company to ensure that such remuneration is reasonable and not excessive.

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During the year of 2005, the remuneration committee convened one meeting and the individual attendance of each committee member at that meeting is set out below:

Name of Director	Attendance	Rate (%)
<b>Independent non-executive Directors:</b>		
Mr. Chan Yuk Tong, Jimmy ( <i>Chairman</i> )	1/1	100%
Ms. Chu Hak Ha, Mimi	1/1	100%
Mr. Ku Shiu Kuen, Anthony	1/1	100%
<b>Executive Directors:</b>		
Mr. Tai Chin Chun	0/1	0%
Mr. Tai Chin Wen	0/1	0%

The remuneration committee meeting was held to review and approve the salary increment for two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen, as stated in their respective service contract. In view that no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, therefore the relevant executive Directors were absent from voting on this resolution in which they were materially interested. The amounts paid to each Director for the year are showed in note 8 to the financial statements.

### Nomination Committee

The Company has established a nomination committee on 16 September 2005 with defined written terms of reference, which are available to shareholders of the Company upon request and are of no less exacting terms than those duties set out in the Code. To reinforce independence, a majority of members of the nomination committee are independent non-executive Directors.

As at 31 December 2005, the nomination committee comprised three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

During the year of 2005, no meeting of the nomination committee was convened due to there was no change of Directors after the establishment of the nomination committee.

### Auditors' Remuneration

For the year ended 31 December 2005, Ernst & Young, as the external auditors of the Company, have provided audit services to the Group in respect of 2005 financial statements of the Company and its subsidiaries at the fee of HK\$1.18 million. Ernst & Young have also provided tax services to the Group at the fee of relatively small amount.

Respective responsibilities of the Directors and the external auditors of the Company are set out in the "Report of the Auditors" on page 31 of this report.

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### Audit Committee

The Company already established an audit committee in compliance with Rule 3.21 of the Listing Rules prior to its listing on the Main Board of the Stock Exchange with defined written terms of reference under the then Code of Best Practice. The written terms of reference of the audit committee had then been revised on 16 September 2005 to incorporate no less exacting terms than those duties set out in the Code and are available to shareholders of the Company upon request. All members of the audit committee are independent non-executive Directors.

As at 31 December 2005, the audit committee comprised three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony. The audit committee is primarily responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls.

During the year of 2005, the audit committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Notes	Attendance	Rate (%)
<b>Independent non-executive Directors:</b>			
Mr. Chan Yuk Tong, Jimmy ( <i>Chairman</i> )		2/2	100%
Ms. Chu Hak Ha, Mimi		2/2	100%
Mr. Chong Chau Lam	(i)	1/1	100%
Mr. Ku Shiu Kuen, Anthony	(ii)	1/1	100%
<b>In Attendance:</b>			
Chief Financial Officer		2/2	100%
External Auditors		1/1	100%

*Notes:*

- (i) Mr. Chong Chau Lam was re-designated from an independent non-executive Director to an executive Director and resigned as a member of the audit committee of the Company on 1 July 2005.
- (ii) Mr. Ku Shiu Kuen, Anthony was appointed as an independent non-executive Director and a member of the audit committee of the Company on 1 July 2005.

The audit committee meetings were held to discuss with the management of the Company and/or the external auditors the accounting policies and internal controls adopted by the Group, as well as to review the interim and annual financial statements of the Group before recommending them to the Board for adoption and approval.

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## Internal Controls

The management of the Company had implemented a system of internal controls to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes, investment and business risks are identified and managed.

The Group has an independent internal audit department which critically reviews and monitors internal control issues.

## Investor Relations and Communication with Shareholders

The Company establishes different communication channels with shareholders and investors, including (i) despatching printed copies of corporate communication documents to shareholders; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) regular press conferences and meetings with investors and analysts are set up from time to time on updated information of the Group, and (iv) the Company's Registrars serve the shareholders on all share registration matters.