

The board of directors of the Company recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the business of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the “CG Code”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) came into effect on 1 January 2005. The Company has reviewed the CG Code and has taken necessary steps to address the new requirements. During the year ended 31 December 2005, the Company has complied with the applicable code provisions of the CG Code, except for certain deviations as discussed later in the report.

THE BOARD

The board currently comprises eight directors and its composition is set out below:

Executive Directors	:	Tsui Tsin Tong (<i>Honorary Chairman</i>) Lam Ting Ball, Paul (<i>Chairman</i>) Tsui Ho Chuen, Philip (<i>Executive Deputy Chairman</i>) Tsui Yam Tong, Terry (<i>Managing Director</i>)
Non-executive Director	:	Hung Ting Ho, Richard
Independent Non-executive Directors	:	Sir David Akers-Jones (<i>Deputy Chairman</i>) Li Hui Yan Danny T Wong

The biographical details of the directors and the relationships among them are set out in the “Biographies of directors and senior management” on pages 21 to 22.

The role of the Chairman is separate from that of the Managing Director. Their respective responsibilities are clearly established and set out in writing. The Chairman is responsible for ensuring that the board is functioning effectively with good corporate governance practices and procedures; whilst the Managing Director is responsible for managing the Group’s business including implementation of major strategies and initiatives set by the board.



THE BOARD (continued)

The non-executive directors (the majority of whom are independent) have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has three independent non-executive directors which represents more than one-third of the board. At least one of the independent non-executive directors possess appropriate professional accounting qualifications or financial management expertise. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers that all independent non-executive directors are independent.

The board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on directors' appointment or re-appointment and other significant operational and financial matters. The board has delegated the day-to-day operations of the Group to management under the leadership of the Managing Director.

The board meets regularly to discuss and review the Group's overall strategy as well as the operation and financial performance of the Group. During the year, eight board meetings (of which four were regular meetings) and four resolutions in writing in lieu of meeting were held and passed respectively and the individual attendance or participation of each director is set out below:

Name of director	Number of board meetings attended (comprising four regular meetings)	Number of resolutions in writing in lieu of meeting passed
Tsui Tsin Tong	0/8	4/4
Lam Ting Ball, Paul	8/8	4/4
Sir David Akers-Jones	4/8	4/4
Tsui Ho Chuen, Philip	8/8	4/4
Tsui Yam Tong, Terry	8/8	4/4
Lau Wong Fat*	0/8	4/4
Li Hui Yan	4/8	4/4
Hung Ting Ho, Richard	4/8	4/4
Danny T Wong	4/8	4/4

* resigned on 19 April 2006

THE BOARD (continued)

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular board meeting is given to all directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying board papers are sent to all directors at least 3 days before the date of a regular board meeting (and so far as practicable for such other board meetings). Draft and final versions of minutes of regular board meetings are circulated to all directors for their comment and records respectively. All directors are kept informed in a timely manner of major changes that may affect the Group's business, including relevant rules and regulations. Written procedures are also in place for the directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

There was no appointment of new director in 2005. The board will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the executive directors when considering new director appointments.

The non-executive directors are not appointed for a specific term and the directors are not required by the Company's bye-laws to retire by rotation at least once every three years. However, under the Company's bye-laws, one third of the directors (including the non-executive directors, but except for the Chairman and the Managing Director) for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office by rotation at each annual general meeting. To comply with the code provisions of the CG Code, the directors including the Chairman and the Managing Director, who have been in office for more than 3 years since their last re-election or appointment, voluntarily offer themselves for re-election at the Company's forthcoming annual general meeting.

BOARD COMMITTEES

The board has established the following committees with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the code provisions of the CG Code: the audit committee and the remuneration committee. Minutes of all committee meetings are circulated to all directors and the committees are required to report back to the board on their decisions and recommendations where appropriate.



BOARD COMMITTEES (continued)

Audit Committee

The audit committee currently consists of three independent non-executive directors, namely, Sir David Akers-Jones (Chairman), Messrs. Li Hui Yan and Danny T Wong.

The audit committee met two times in 2005 (with full attendance) to review with the qualified accountant and the external auditors the reporting of financial and other information to shareholders (including the 2004 annual results and 2005 interim results before recommending them to the board for approval), the accounting principles and practices adopted by the Group and the effectiveness and objectivity of the audit process and to discuss the internal control and corporate governance compliance. The audit committee also keeps under review the independence and objectivity of the external auditors. In April 2006, a policy on the engagement of the external auditors to provide non-audit services was established.

Remuneration Committee

On 19 April 2006, the board approved the establishment of the remuneration committee which comprises two independent non-executive directors, namely, Sir David Akers-Jones (Chairman) and Mr. Li Hui Yan and one executive director Mr. Lam Ting Ball, Paul. The executive directors' remuneration packages have remained unadjusted in the past years and in view of the Company's size and simple structure, the board did not rush to form the remuneration committee in 2005 pursuant to the requirement of the CG Code. During the year, the full board approved the director's fees paid to the directors and reviewed the remuneration of the executive directors as disclosed in the financial statements at a regular board meeting (with full attendance except for Messrs. Tsui Tsin Tong and Lau Wong Fat).

Pursuant to the terms of reference of the remuneration committee, its principal responsibilities include advising the board on the Company's policy and structure for the remuneration of directors and senior management, determining and reviewing the remuneration packages of all executive directors and senior management by reference to the duties and responsibilities, performance and experience of the individual, the market conditions and the corporate goals and objectives as set by the board from time to time.



CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). After specific enquiry by the Company, all directors confirmed they have complied with the required standard set out in the Model Code and the Company’s own code during the year ended 31 December 2005.

To comply with the new requirement of the CG Code, the Company has also established and adopted in July 2005 the Model Code to regulate dealings in the securities of the Company by certain employees of Group who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

EXTERNAL AUDITORS’ REMUNERATION

During the year, the remuneration paid to the Company’s external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Fee paid/payable HK\$
Audit services	1,850,000
Non-audit services	231,500
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	2,081,500
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The non-audit services rendered by the external auditors consisted of a high level review of the Group’s 2005 interim financial statement, taxation services and audit examination of the Group’s occupational retirement schemes.

RESPONSIBILITY STATEMENTS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2005, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the “Report of the auditors” on page 34.



COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars.

The 2005 annual general meeting of the Company provided an opportunity for communication between shareholders and the board, at which the chairmans of the board and the audit committee and other board members had attended to answer questions from shareholders. Details of the rights of shareholders and the procedures for demanding a poll were included in the circular to shareholders and explained at the commencement of the meeting. Poll results were announced at the meeting and published in newspapers on the business day following the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of directors. All the resolutions proposed in 2005 for shareholders' approval were passed.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul

Chairman

19 April 2006

