

Corporate Governance Practices

The Company has always recognised the importance of transparency in governance and accountability to shareholders. It is the belief of the Board that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

In 2006, the Company improved its corporate governance practices by amendments of certain provisions of its bye-laws to align with the Code Provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which became effective on 1 January 2005. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the year of 2006, the Company has met the Code provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

The Board currently comprises five executive and four non-executive Directors of whom three are independent as defined by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the biographies of the Directors, together with information about the relationship among them, are set out on pages 25 to 26). Independent non-executive Directors are one-third of the Board. Under the Company's bye-laws, every Director is subject to retirement by rotation at least once every three years. One-third of the Directors, who have served longest on the Board, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and financial performance. Day-to-day management of the Group's businesses is delegated to the executive Director or officer in charge of each division. The functions and authority that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters that reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have access to the advice and services of the Company Secretary. All Directors have separate and independent access to the Management for enquiries and to obtain information when required. Independent professional advice can be sought at the Group's expense upon reasonable requests. The Directors are covered by appropriate insurance on Directors' liabilities from risk exposures arising from the management of the Company.

The Board meets regularly to review the financial and operating performance of the Group and approve future strategies. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the Audit Committee and the Remuneration Committee are set out below:-

Directors	Attendance/Number of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. SHAM Kit Ying (Chairman)	4/4		
Mr. LEE Seng Jin (Deputy Chairman & Chief Executive Officer) (note 1)	4/4		1/1
Mr. CHOW Wing Yuen	4/4		
Ms. SHAM Yee Lan, Peggy	4/4		
Mr. LEE Yue Kong, Albert	4/4		
Independent Non-executive Directors			
Mr. PANG Wing Kin, Patrick (note 2)	3/4	3/3	
Mr. TONG Yat Chong	4/4	3/3	1/1
Mr. NG Hung Sui, Kenneth	3/4		1/1
Non-executive Director			
Mr. LAU Wang Yip, Eric	4/4	3/3	

Note 1: Chairman of Remuneration Committee

Note 2: Chairman of Audit Committee

To implement the strategies and plans adopted by the Board effectively, an executive committee of selected executive Directors and senior managers meet monthly to review the performance of the businesses of the Group and make financial and operational decisions.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr. Sham Kit Ying and a Chief Executive Officer, Mr. Lee Seng Jin. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is a Board member and has executive responsibilities over the business direction and operational decisions of the Group.

Non-executive Directors

There are currently four non-executive Directors of whom three are independent. As a deviation from the Code, the term of office for non-executive Directors is not fixed but subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's bye-laws. At every annual general meeting, one-third of the Directors for the time being, who have served longest on the Board, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Code.

Remuneration of Directors

The Remuneration Committee, established in August 2005, has clear terms of reference and is accountable to the Board. The principle role of the Remuneration Committee is to make 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. The Remuneration Committee comprises three members including the Deputy Chairman and two independent non-executive Directors. The current Committee members are:

Mr. Lee Seng Jin (Chairman)

Mr. Tong Yat Chong

Mr. Ng Hung Sui, Kenneth

The Remuneration Committee met one time in the year with the attendance rate of 100%.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary and bonus of the executive Directors and certain key executives. No executive Director has taken part in any discussion about his/her own remuneration.

The Directors' emoluments paid or payable to the Directors during the year are set out on an individual and named basis, in note 13 to the financial statements of this Annual Report.

Nomination of Directors

The Company has not established a nomination committee. The Board as a whole is responsible for approving the appointment of its members and nominating them for election and re-election by the shareholders of the Company. New Directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, professional knowledge, industry experience and personal skills of the appointee as well as personal ethics, integrity and time commitments of the appointee. During the year, there was no nomination of directors to fill board vacancies.

Audit Committee

The Company set up an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee comprises three non-executive Directors, two of them including the Chairman being independent. The current Committee members are:–

Mr. Pang Wing Kin, Patrick (Chairman)

Mr. Lau Wang Yip, Eric

Mr. Tong Yat Chong

The Committee members possess diversified industry experience and the Chairman has professional qualifications and experience in financial matters. The Audit Committee met three times during the year, together with senior management and auditors, both internal and external, if considered necessary, to review the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and to assess the external auditors for re-appointment. The attendance rate of the members for the three meetings was 100%. The Audit Committee reviews the interim and annual financial statements before submission to the Board for approval. The Group's unaudited interim results and annual audited results for 2006 had been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure had been made.

The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process. The annual fees for audit and non-audit services are subject to close scrutiny by the Audit Committee. The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the Group's external auditors at the Annual General Meeting to be held in September 2006.

Auditor's Remuneration

The Company's external auditors are PricewaterhouseCoopers, Hong Kong. During the year, PricewaterhouseCoopers, Hong Kong provided the following audit and non-audit services to the Group:

Service	Fees Charged HK\$'000
Audit services (including interim review)	860
Non-audit services	
(a) Tax compliance services	95
(b) Other assurance services	21

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2006.

Financial Reporting

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimate have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 33.

Communication with Shareholders

The Board and senior management recognise their responsibility to look after the interests of the shareholders of the Company. The Company reports on its financial and operating performance to shareholders through interim and annual reports. At the Annual General Meeting, the shareholders can raise any questions relating to the performance and future direction of the Company with the Directors. Our Corporate website which contains information, interim and annual reports, announcements and circulars issued by the Company as well as the recent development of the Group, enables the Company's shareholders to access information on the Group on a timely basis.