

## Corporate Governance Report

The board of directors (the “Board”) of Beauforte Investors Corporation Limited (the “Company”) has been committed to maintaining the high level of corporate governance within the Company and its subsidiaries (the “Group”) in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders’ interest and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange of Hong Kong Limited.

### THE BOARD

The Board is responsible for reviewing, evaluating and finalizing the Company’s strategies and policies, annual budgets, business plans and performance, and has full access to adequate, reliable and timely information on the Group so as to enable them to make a timely decision. It also has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group’s affairs.

One of the roles of the Board is to protect and enhance shareholder value. The Board acts with integrity and due care for the best interests of the Company and its shareholders. Leading the Group in a responsible and effective manner, the Board adopts formal terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company’s conduct of affairs. The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each director has separate and independent access to the Group’s senior management to acquire more information and to make further enquiries if necessary.

During the financial year ended 31 December 2006, inclusive of the quarterly regular meetings according to the CG Code, the Board held a total of 13 board meetings. The attendance of each director is set out on page 24.

Under the CG Code Provision A.2.1, the roles of chairman and chief executive office should be separate and should not be performed by the same individual.

The Company does not appoint chief executive officer. In view of the existing structure of the Board and the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for the benefits of the Group. Moreover, the day-to-day operations of the Group’s businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority so that power is not concentrated in any one individual.



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Together with the balanced of skill and experience for business of the Group, a balance composition of executive, non-executive and independent non-executive director of the Board shall exercise effective independent judgment. Currently the Board is comprised of two executive directors namely Mr. Cheung Chung Leung, Richard and Ms. Sun Bo, one non-executive director, Mr. Hans-Peter Adelrich Josef Hess and three independent non-executive directors, namely Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Frank Yu. Each one of them has different professional and industrial experience, which enable them to make valuable and diversified advice and guidance to the Group's activities and development. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independency pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Under the CG Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

During the period, all non-executive directors and independent non-executive directors are not appointed for specific fixed terms but subject to relevant provisions in the Company's articles of association on rotation and re-election. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the CG Code.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Under the CG Code Provision B.1, the issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.

The Remuneration Committee currently comprises three members, namely Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Hans-Peter Adelrich Josef Hess. The majority of the members are independent non-executive directors and is chaired by Mr. Cheng Hong Kei, an independent non-executive director or the Company. It reviews and determines the policy for the remuneration of directors and senior management.

The Remuneration Committee is tasked to:-

- (i) conduct regular review of the remuneration policy of Group's directors and senior management;
- (ii) make recommendations to the Board on the policy structure of the Company's directors and senior management and on establishment of a formal and transparent procedure for developing remuneration policy;
- (iii) make recommendation to the Board on remuneration packages of the Company's directors;
- (iv) determine remuneration packages of senior management proposed by the directors of the Company that will attract, motivate and retain the competent staff;
- (v) review the proposals for the award of share options to executive directors and senior management based on their performance and contribution to the Company from time to time;
- (vi) recommend the Board of the structure of long-term incentive plans for executive directors and certain senior management.

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### ACCOUNTABILITY AND AUDIT

The Board is responsible to ensure the preparation of the financial statements of the Company and the Group is in accordance with the relevant statutory requirements and applicable accounting standards and to ensure the published financial statements should be in a timely manner and can provide a true and fair view of the business and financial information of our Group. In preparing the financial statements, the Board has adopted Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinances that are relevant to its operations.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The audit committee comprises three members, two independent non-executive directors and one non-executive director (the "Audit Committee") and reports to the Board. The Audit Committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

The Audit Committee is mainly responsible for:-

- (i) making recommendation to the Board on the appointment, re-appointment and removal of the auditors and to approve the remuneration and terms of engagement of the auditors and any resignation and dismissal;
- (ii) reviewing and monitoring the independence and objective of the auditors and the effectiveness of the audit process in accordance with applicable standard;
- (iii) liaising with the Board, senior management and the auditors to monitor the integrity of financial statements, the interim and annual reports in particular on its accounting policies and practices and compliance with accounting standards, the Listing Rules and other legal requirements in relation to financial reporting;
- (iv) reviewing the financial control, internal control and risk management system to ensure the management of the Company discharge its duty to have an effective internal control system;
- (v) reviewing of the report and management letter submitted by external auditors; and
- (vi) considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

During the year, the Audit Committee reviewed the audited financial results of the Group for the year ended 31 December 2006 and the accounting principles and practices adopted by the Group. The Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control systems.



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### **INTERNAL CONTROL**

The Board, through the Audit Committee, has reviews the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions. Areas for improvement have been identified and appropriate measures taken so as to safeguard the shareholders' investment and the company's assets.

### **DELEGATION BY THE BOARD**

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to senior staffs that are responsible for different aspects of the operations of the Group.

### **COMMUNICATION WITH SHAREHOLDER**

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholder understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (<http://www.00021.com.hk>) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

The Board is endeavour to maintain an on-going dialogue with shareholder. The chairman of the Board and members of the Audit Committee should attend the annual general meeting to answer questions.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiries of all directors of the Company, they have confirmed that they complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

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### DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at meetings of the Board and Committees during the year ended 31 December 2006:

	Board Meeting	Attendance Rate	Audit Committee	Remuneration Committee
<b>Executive Directors</b>				
Cheung Chung Leung, Richard <i>(appointed on 8 June 2006)</i>	13/13	100%	N/A	N/A
Sun Bo <i>(appointed on 8 June 2006)</i>	12/13	92%	N/A	N/A
Christian Emil Toggenburger <i>(appointed on 12 June 2006 and resigned 1 June 2007)</i>	11/13	85%	N/A	N/A
Beat Rene Saxer <i>(appointed on 12 June 2006 and removed 21 March 2007)</i>	0/13	0%	N/A	N/A
<b>Non-Executive Directors</b>				
Hans-Peter Adelrich Josef Hess <i>(appointed on 12 June 2006)</i>	0/13	0%	0/1	1/2
Mai-San Young <i>(appointed on 12 June 2006 and resigned 19 April 2007)</i>	9/13	69%	0/1	2/2
<b>Independent Non-Executive Directors</b>				
Cheng Hong Kei <i>(appointed on 8 June 2006)</i>	8/13	62%	1/1	2/2
Leung Kwan, Hermann <i>(appointed on 8 June 2006)</i>	9/13	69%	1/1	2/2
Tang Ka Siu, Johnny <i>(appointed on 8 June 2006 and resigned 4 April 2007)</i>	3/13	23%	0/1	1/2
Ku Yee Hong, Derek <i>(appointed on 8 June 2006 and retired on 29 June 2006)</i>	0/1	0%	N/A	N/A
William Montgomerie Courtauld <i>(appointed on 12 June 2006 and resigned 19 April 2007)</i>	10/13	77%	0/1	2/2