

# CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency, independence and accountability to all shareholders.

Throughout the year ended 31 December 2006, the Group has applied the principles and complied with the code provisions of CG Code set out in Appendix 14 to the Listing Rules, unless otherwise stated which in the opinion of the Board are not appropriate to follow.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

## BOARD COMPOSITION AND BOARD PRACTICES

The Board is mandated with promoting the success of the Company by providing leadership and supervising control of the Group's businesses.

The Board comprises two Executive Directors who are also the Executive Co-chairmen of the Company and four Independent Non-executive Directors. The Board, led by two Executive Co-chairmen, is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans, evaluating the performance of the Group, and oversight of management. The Chairmen ensure the Board works effectively and discharges its responsibilities. All Directors (including Independent Non-executive Directors) have been consulted on all major and material matters of the Company. With the support of the Company Secretary, the Chairmen seek to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Board opines that due to the scale of its operation, it is not necessary to appoint a Chief Executive Officer and daily operation of the Group is delegated to management, department heads and various committees.

Under the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The number of Independent Non-executive Directors has exceeded the minimum requirements of the Listing Rules and represented more than one-third of the total board members. Further, more than one of them have appropriate professional qualifications in accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to the requirement of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on pages 3 to 5.

# CORPORATE GOVERNANCE REPORT

All the Independent Non-executive Directors have contracts with the Company for a specified period of two years subject to retirement, rotation and approval by shareholders at the Annual General Meeting of the Company in accordance with the Company's Bye-Laws and the CG Code.

The Board has scheduled quarterly meetings per year and meets more frequently as and when required. During the financial year ended 31 December 2006, five Board meetings were held. The attendance of individual directors to the Board meeting in year 2006 is summarised below.

Directors	Board of Directors Meetings Attended/Held
<b>Executive Directors</b>	
Mr. Fung Ka Pun	4/5
Dato' Wong Sin Just	4/5
<b>Independent Non-Executive Directors</b>	
Mr. Ongpin Roberto V.	2/5
Mr. Chung Cho Yee, Mico	0/5
Dr. Hui Ka Wah, Ronnie	3/5
Mr. Ho Kwan Tat	3/5

The Company Secretary keeps the Board Minutes of the Company for inspection by the Directors. The Board has arranged appropriate insurance cover for the directors and officers of the Group to protect them from the risk exposure arising from the businesses of the Group by indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transaction. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2006.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the financial statements is set out in the Report of the Auditors on page 28.

## AUDIT COMMITTEE

The Company has established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the CG Code and are available on the Company's website.

The Audit Committee comprises three Independent Non-executive Directors of the Company. Mr. Ho Kwan Tat, the chairman of the committee, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. In fact, all members of the committee have diversified professional experience in accounting and/or finance. No member of the Audit Committee is a former partner of the existing auditing firm of the Company.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held in relation to the financial year ended 31 December 2006. The attendance of individual Independent Non-executive Directors to the Audit Committee meeting in year 2006 is summarised below.

Members of the Audit Committee	Meetings Attended/Held
Mr. Ho Kwan Tat (Chairman)	2/2
Mr. Chung Cho Yee, Mico	1/2
Dr. Hui Ka Wah, Ronnie	2/2

The Group's financial statements for the year ended 31 December 2006 have been reviewed and agreed by the Audit Committee together with the external auditors and management.

## REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee ensuring that there are formal and transparent procedures for setting policies on the remuneration of the Directors. The committee is comprised of two Independent Non-executive Directors, in which Dr. Hui Ka Wah, Ronnie is the chairman of the committee. One meeting was held during the financial year ended 31 December 2006. The attendance of individual Independent Non-executive Directors to the Remuneration Committee meeting in year 2006 is summarised below.

### Members of the Remuneration Committee

### Meetings Attended/Held

Dr. Hui Ka Wah, Ronnie (Chairman)	1/1
Mr. Ho Kwan Tat	1/1

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code, and the terms of reference of the Remuneration Committee are available from the Company's website. No Director is involved in deciding his own remuneration.

## INVESTMENT COMMITTEE

The Investment Committee was set up to ensure that there are formal and transparent procedures for reviewing and approving investments for the Group. The committee is comprised of two Executive Directors namely Dato' Wong Sin Just and Mr. Fung Ka Pun. The Investment Committee meets on an ad hoc basis to review and approve various investment projects to be committed by the Group.

# CORPORATE GOVERNANCE REPORT

Annual  
Report  
2006

26

## INTERNAL CONTROL

The Board is ultimately responsible for maintaining a sound and effective system of internal control and risk management of the Group. The Group's internal control and risk management system includes a well-defined management structure with limits of authority and comprehensive policies and standards.

Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

There is a clear division of areas of responsibility of each business and operation unit to ensure effective checks and balances. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, funding decisions and major investment and commitments relating to the Group's operations, are usually dealt with by way of written resolutions so that all Directors (including independent Non-executive Directors) can note and comment, as appropriate on the matters before approval is granted.

The Investment Committee was formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. It meets on an ad hoc basis to review and approve various investment projects or products to be committed by the Group, and to monitor and assess the risks of the investment projects to ensure they are in line with the investment strategy of the Group.

With reference to the procedures and controls for handling and dissemination of price-sensitive information, the Group made reference to the "Guide on Disclosure of Price-sensitive information" issued by the SEHK in 2002. The Group has implemented policy and procedure which strictly prohibit unauthorized use of confidential and sensitive information. The Group is also well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive.

Compliance Department has conducted an annual independent review on the effectiveness of the system of internal control and risk management of the Group and considers it to be adequate and effective. A report on the effectiveness of the Group's internal control and risk management system had been submitted to the Audit Committee. The review covered all material controls, including financial, operational and compliance controls and risk management functions. It is noted that there is no significant areas of concern which may affect the effectiveness of the internal control system.

Throughout the year ended 31 December 2006, the Board is satisfied that the Group has fully complied with the code provisions on internal controls as set out in C.2.1 of the CG Code.

## COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information to form their own judgement on the Company.

## AUDITORS' REMUNERATION

For the year ended 31 December 2006, the Auditors of the Company received approximately HK\$2,600,000 for audit service and HK\$42,000 for tax and consultancy services.