

Audit Committee Report

The Audit Committee has three members. It is chaired by the Independent non-executive Deputy Chairman, Sir David Akers-Jones. Under its terms of reference, the Committee oversees the Company's financial reporting process; it also reviews the Company's internal control and risk management system, its relationship with external auditors. The Committee presents a report to the Board on its findings after each Committee meeting.

The Committee held two meetings during 2006, on 6 March and 7 August. A meeting was also held on 5 March 2007 to consider the consolidated financial statements for the year ended 31 December 2006. All members attended the above meetings. Significant matters relating to financial statements and activities of the Group for the year ended 31 December 2006, as reviewed and discussed in the relevant meetings, include the following:

Financial reporting

In the process of financial reporting, management is responsible for the preparation of Group financial statements including the selection of suitable accounting policies. External auditors are responsible for auditing and attesting to Group financial statements and evaluating Group's system of internal control in such regard. The Committee oversees the respective work of management and external auditors to endorse the processes and safeguards employed by them.

- August 2006 : The Committee reviewed and recommended to the Board of Directors for approval the unaudited financial statements for the first six months of 2006, prior to public announcement and filing. The Committee received reports from and met with external auditors to discuss the scope of their review and findings. The Committee had discussions with management on significant judgments affecting Group's financial statements.
- March 2007 : The Committee reviewed and discussed with management and external auditors the 2006 consolidated financial statements included in the 2006 Annual Report, prior to public announcement and filing. The Committee received reports from and met with the external auditors to discuss the general scope of their audit work and findings, including their assessment of Group's internal control in this light. The Committee had discussions with management with regard to significant judgments affecting the Group financial statements. Based on these review and discussions, and the report of the external auditors, the Audit Committee recommended to the Board of Directors approval of the consolidated financial statements for the year ended 31 December 2006, with the Auditors' Report thereon.

Review of internal control and risk management systems

- March 2007 : The Committee reviewed the Group's internal control and risks management processes and is satisfied as to their effectiveness in managing risks. In doing so, the Committee has taken note of management's reports and an independent review performed by a reputable international accounting firm ("Independent Advisor"). The Committee also noted that the Independent Advisor had identified improvement areas aimed at further strengthening the Group's internal control system, which is a continual process. Management had confirmed to the Committee that all recommendations would be implemented in accordance with established timelines.

Relationship with external auditors

- March 2007 : The Committee reviewed and considered the terms of engagement of the external auditors including assessing their independence and objectivity. Factors considered include the arrangement for lead audit partner rotation, and the provision of non-audit services by the auditors. The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditors for 2007.

The Committee noted that management had adopted the Auditor Services Policy prohibiting the engagement of external auditors to perform certain activities that would impair their independence or objectivity.

In the year ended 31 December 2006, external auditors received a total fee of HK\$2,128,550 (Audit Services: HK\$1,620,000; Non-Audit Services HK\$301,100; tax compliance: HK\$207,450).

Members of the Audit Committee

David Akers-Jones *Chairman*

Per Jorgensen

Chien Lee

Hong Kong, 6 March 2007