

Corporate Governance Report

Introduction

The directors of the Company are committed to maintaining high standards of corporate governance in discharging their obligation, to act in the best interests of the shareholders and to enhance long-term shareholders value.

The board of directors (the “Board”) of the Company has adopted the principles as set out in the Code of Best Practice under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which was in force prior to 1 January 2005 and, where applicable, has established various self-regulatory and monitoring mechanisms.

The Board has also established written policies that provide a framework and guidelines for its members so that they are able to discharge their respective duties in an efficient and consistent manner, whereby corporate governance practices of the Company are strengthened, the corporate image is improved and the confidence of shareholders, regulators and the public can be assured.

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued the Code on Corporate Governance Practices (the “Corporate Governance Code”) which came into effect for accounting periods commencing after 1 January 2005. The Stock Exchange thereafter made further amendments to the Listing Rules relating to corporate governance practices. The Board has amended the written policies of the Company and taken other necessary steps to align with all code provisions and certain recommended best practices in the Corporate Governance Code. The Board reviews these written policies regularly and is committed to continuously improving the practices and ensuring an ethical corporate culture is maintained.

Board of directors

The Board is collectively responsible for all business and affairs of the Company. Pursuant to the Company’s Bye-laws, the Board has delegated the day-to-day management of the Company’s business to the executive directors and focuses its attention on overall strategic matters related to policies, finance and shareholding issues, while matters such as determining mechanisms for setting the Group’s remuneration structure and policies and approving the annual remuneration and incentive plans of the Group are delegated to the Remuneration Committee.

As at 31 December 2006, the Board was comprised of three Executive Directors, namely, Mr. Richard John Siemens, Mr. Kuldeep Saran and Mr. Lim Shyang Guey, a Non-executive Director, Mr. William Bruce Hicks, and three Independent Non-executive Directors, namely, Mr. Shane Frederick Weir, Mr. John William Crawford J.P. and Mr. Gerald Clive Dobby.

The roles of chairman and chief executive officer are, respectively, performed by the Chairman, Mr. Richard John Siemens and the Deputy Chairman and Managing Director, Mr. Kuldeep Saran. The roles of the Chairman and Managing Director are segregated and assumed by these two separate individuals so that the responsibilities are not concentrated with any one person. The Chairman is responsible for providing leadership to and effective running of the Board, while the Managing Director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. The division of responsibilities between the Chairman and the Managing Director have been clearly established and recorded in writing.

The Board meets regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure

that the directors can make informed decisions when fulfilling their responsibilities. During the year under review, the Board held four meetings and the attendance record is set out below:

Name of Directors	Attendance / Number of Board Meetings in 2006	Attendance Rate
Richard John Siemens (<i>Chairman</i>)	4 / 4	100%
Kuldeep Saran (<i>Deputy Chairman</i>)	4 / 4	100%
Lim Shyang Guey	4 / 4	100%
William Bruce Hicks	2 / 4	50%
Shane Frederick Weir	4 / 4	100%
John William Crawford J.P.	4 / 4	100%
Gerald Clive Dobby	4 / 4	100%

On those occasions where it was not practical to convene physical meetings, in lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval. All such written resolutions were approved by all directors unanimously.

Minutes of meetings and written resolutions of the Board as well as its committees are kept by the Company Secretary, which minutes and written resolutions are available for inspection at any reasonable time by a director.

Appointment and re-election

All non-executive directors are appointed for specific terms and upon expiry thereof, the terms are renewable for fixed terms of three years provided that either party may terminate such appointment by giving to the other party not less than one month's notice in writing. All directors, including the executive and non-executive directors, retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Company's Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Board committees

The Board has delegated certain powers, authorities and discretion to a number of Board committees consisting of such directors as it deems appropriate. Such committees act in conformity with the guidelines and regulations (where applicable) as provided in the code provisions in the Corporate Governance Code and the written policies as promulgated by the Board, and in fulfilment of the purposes for which the committees were appointed.

Corporate Governance Report (continued)

Executive Management Committee

The Executive Management Committee is comprised of the three executive directors. The committee is principally responsible for directing, planning and managing the Group's businesses and operations, formulating strategies and policies for the consideration of the Board and implementing the same to best achieve the Group's overall business objectives in an effective and efficient manner.

The committee meets regularly every month to review the Group's business performance with the senior management of each operation within the Group. Ad hoc meetings are also held on an as-needed basis and the committee is also engaged in frequent informal discussions. In 2006, twelve meetings were held and the attendance record is set out below.

Name of Directors	Attendance / Number of Executive Management Committee Meetings in 2006	Attendance Rate
Richard John Siemens <i>(Chairman of the Committee)</i>	11 / 12	92%
Kuldeep Saran	12 / 12	100%
Lim Shyang Guey	12 / 12	100%

Audit Committee

The Audit Committee was established on 29 September 1999 by the Board and comprises three Board members, all of whom are independent non-executive directors. A set of written terms of reference, which describes the authority and duties of the committee and is based on the recommendations as set out in "A Guide For Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants, was adopted by the Board in the past and subsequently revised in accordance with the Corporate Governance Code and incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and market practices.

The committee's principal role is to review the quality and fairness of the financial reports of the Company and consider the nature and scope of internal and external audit reviews. It also assesses the effectiveness of the accounting, financial and internal control systems of the Group.

The committee is granted the authority to conduct or authorise investigations into any activities within its terms of reference.

In 2006, two meetings were held to review and make recommendation to the Board on the consolidated financial statements of the Group for the interim and annual results, and, in particular, assess any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, and other matters like appointment and change of auditors and review and assessment of internal control systems. In particular, the Audit Committee also reviewed, with the management and the auditors of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2006.

The attendance rate at the meetings in 2006 was 100% as set out below. As deemed necessary by the committee, the external auditors and executive officers of the Company attended the meetings to answer any questions raised. Full minutes of the meetings were

recorded and submitted to the Board for its information and review. In addition, several ad hoc meetings were held during the year with the management of the Company to discuss accounting, reporting and other issues.

Name of Directors	Attendance / Number of Audit Committee Meetings in 2006	Attendance Rate
John William Crawford J.P. <i>(Chairman of the Committee)</i>	2 / 2	100%
Shane Frederick Weir	2 / 2	100%
Gerald Clive Dobby	2 / 2	100%

The Company's external auditors carried out, in the course of the statutory audit process, a review of the effectiveness of the Company's material financial internal controls to the extent of the scope as laid out in their audit plan. Any non-compliance matters and internal control weaknesses noted during their audit and the auditors' recommendations thereon were reported to and dealt with by the committee.

the committee, was adopted by the Board in accordance with the Corporate Governance Code and incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and market practices.

Remuneration Committee

The Remuneration Committee was established on 18 December 2001. During the year, it was comprised of the Chairman, Mr. Richard John Siemens, and Mr. Shane Frederick Weir and Mr. John William Crawford J.P., both independent non-executive directors. Messrs. Kuldeep Saran and Lim Shyang Guey, both executive directors were alternate members to Mr. Richard John Siemens. A set of written terms of reference, which describes the authority and duties of

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group, and, in particular, determining the remuneration packages of executive directors and senior management, reviewing and approving performance-based remuneration programmes with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During the year under review, one meeting was held and the attendance record is set out below.

Name of Directors	Attendance / Number of Remuneration Committee Meetings in 2006	Attendance Rate
Richard John Siemens <i>(Chairman of the Committee)</i>	1 / 1	100%
Shane Frederick Weir	1 / 1	100%
John William Crawford J.P.	1 / 1	100%

Corporate Governance Report (continued)

Internal control

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance against material misstatement or loss, to manage the risk of system failures, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

A review of the Group's internal control systems is conducted annually by the Audit Committee in conjunction with work undertaken by the auditors of the Company. During the year under review, the Company also commenced an on-going process for identifying, evaluating and managing material risks faced by the Group and such process includes updating the systems of internal control as and when there are changes and developments in the business environment and / or regulatory frameworks. The Board considered that the Group's internal control systems are reasonably implemented. The Group will continue the risk identification and management process on an ongoing basis and will consider, if deemed necessary in future, to engage a professional consultancy firm or set up an internal audit department to assist in fulfilling the objectives of the process.

Directors and officers liability insurance

The Company has arranged for appropriate liability insurance to indemnify directors and officers of the Group for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules, (the "Model Code") as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2006.

Auditors' remuneration

For the year ended 31 December 2006, the remuneration payable to the auditors of the Group amounted to approximately HK\$1,995,000, of which HK\$1,167,000 related to audit services, HK\$730,000 to due diligence for an acquisition capitalised and HK\$98,000 to taxation and other non-audit services.