

The Company is committed to achieving the best corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company is dedicated to exercise corporate governance through regular reviews of its adopted practices with reference to the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company has fully complied with the code provisions in the CG Code throughout 2006. The following summarises the corporate governance practices adopted by the Company.

## Board of Directors

The board of directors of the Company ("Board") consists of two executive directors, two non-executive directors and three independent non-executive directors. The Chairman of the Board is a non-executive director, who is responsible for the leadership and overseeing the functioning of the Board and the strategic development of the Group. The Managing Director is delegated with the authority and responsible for managing the Group's business, and the implementation of the Group's strategies in achieving the overall commercial objectives. There are no relations among the directors (including the Chairman and the Managing Director).

All the directors, including the non-executive directors, will be subject to retirement by rotation for every three years and in accordance with the Listing Rules and the bye-laws of the Company. The remuneration of the directors are determined with reference to their duties, responsibilities and experience, and to the prevailing market conditions.

The Board is responsible for the formulation of long term business objectives, strategies and plans, and to monitor and control the operating and financial performance of the Group. The day-to-day operations and implementation of business objectives are delegated to the Managing Director. The management is delegated with power and authority to carry out daily operations and duties.

The Board has the power and is responsible for appointing new directors to fill a casual vacancy or as an addition to the Board. The nomination will take into consideration the candidate's skills knowledge and experience appropriate for the requirements of the Company. During the year, the Board has a meeting with full attendance to appoint Mr. Chen Zhaoxiong as a non-executive director and the Chairman of the Company.

All directors actively participate in the review and monitor of the Company's business. A list of directors and their attendance record of the board meetings in 2006 are set out below:

Number of full board meetings held in 2006: 8	
Member of the Board	Number of meetings attended
<i>Non-executive Director</i>	
Chen Zhaoxiong ( <i>Chairman</i> ) <sup>(Note 1)</sup>	4
Yang Xiaotang <sup>(Note 2)</sup>	1
Tong Baoan ( <i>Vice Chairman</i> )	6
<i>Executive Director</i>	
Fan Qingwu ( <i>Managing Director</i> )	8
Hua Longxing	7
<i>Independent Non-executive Director</i>	
Chan Kay Cheung	6
Wong Po Yan	6
Yin Yongli	6

### Notes:

1. Mr. Chen Zhaoxiong was appointed as non-executive director of the Company on 11 April 2006.
2. Mr. Yang Xiaotang resigned as non-executive director of the Company on 11 April 2006.

The biographies of the directors are set out on pages 10 to 11 of the annual report.

## Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout 2006.

## Remuneration Committee

The Board has established a remuneration committee, comprising the three independent non-executive directors and an executive director. A list of members of the remuneration committee is set out below. The terms of reference of the remuneration committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The principal responsibilities of the remuneration committee include reviewing and recommending to the Board the remuneration policy and the remuneration of the directors and the senior management.

The remuneration committee held two meetings in 2006 to review the remuneration package of the directors and the policy over grant of share option to employees. The attendance of individual members at the remuneration committee meetings is set out below:

Member of the Remuneration Committee	Number of meetings attended
Wong Po Yan ( <i>Chairman</i> )	2
Chan Kay Cheung	2
Yin Yongli	2
Fan Qingwu	2

Details of the remuneration of the directors for the year ended 31 December 2006 and the share options granted to the directors are set out on page 50 of the annual report respectively.

## Audit Committee

The Company has established an audit committee comprising three independent non-executive directors of the Company. The members have extensive experience in financial matters and one of them is a certified public accountant. A list of members of the audit committee is set out below. The terms of reference of the audit committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The audit committee provides independent review and supervision of financial reporting, and examines the effectiveness of the internal controls of the Group and the adequacy of the

external audits. The audit committee examines all matters relating to the accounting principles and practices adopted by the Group, including consideration of the auditing functions, internal controls, information systems, and financial reporting matters. External auditors and the directors are invited to attend the meetings as and when necessary. The audit committee also serve as a channel of communication between the Board and the external auditors.

The audit committee held two meetings in 2006 to review the annual and interim financial statements and the effectiveness of the internal control practices of the Group. The audit committee has also reviewed the audit plan and approach of the external auditors and monitors regularly the progress and results of the audit. The attendance of individual members at the audit committee meeting is set out below:

Member of the Audit Committee	Number of meetings attended
Chan Kay Cheung ( <i>Chairman</i> )	2
Wong Po Yan	2
Yin Yongli*	2

\* *certified public accountant*

During 2006, the Group paid to the auditors HK\$1,280,000 for audit services.

## Accountability and audit

The Board is responsible for overseeing the preparation of financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities is set out on page 19 of the annual report. In preparing the financial statements for the year ended 31 December 2006, the directors have selected suitable accounting policies and applied them consistently and have made prudent and reasonable judgements and estimates and have prepared the financial statements on a going concern basis. The Board has also reviewed the effectiveness of the internal control system of the Group, including all the material controls in financial, operational, compliance and risk management functions, through the assistance of the external auditors to ensure a sound system is maintained and operated by the management in compliance with agreed processes and standards.

On behalf of the Board  
**Yam Pui Hung, Robert**  
*Company Secretary*

Hong Kong, 23 March 2007