

## Corporate Governance Practices

The Board places importance on corporate governance and reviews its corporate governance practices from time to time to protect the interests of the Group and the shareholders.

In light of the Code of Corporate Governance Practice (the "Code") set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005, the Board has reviewed the corporate governance practices of the Group with the adoption and improvement of various relevant procedures. The Company has applied the principles of and complied with the applicable code provisions in the Code during the year ended 31 December 2006.

### DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the year 2006.

### BOARD OF DIRECTORS

The Board currently comprises nine Directors and its composition is set out as follows:

#### Executive Directors

Mr. Chan Chun Keung (Chairman)  
Mr. Bao Hongkai (Deputy-Chairman)  
Mrs. Judy Leissner (Managing Director)  
Mr. Chan Kin  
Mr. Wu Jiahong  
Mr. Cheng Koon Cheung

#### Independent Non-executive Directors ("INEDs")

Mr. Ng Wing Hang, Patrick  
Mr. Chan Kin Sang  
Mr. Choi Man Chau, Michael

The brief biographical details of the Directors and the relationship among them are set out in the section headed "Biographical Details in Respect of the Directors" in the 2006 annual report of the Company, of which this report forms part.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Matters reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policies, significant changes in accounting policy, material contracts and major investments. Day-to-day management of the Group's businesses is delegated to the Executive Directors or senior management. The Board reviews the delegation of power and functions from time to time to ensure effectiveness and appropriateness.

## Corporate Governance Practices

The Board meets regularly to discuss the overall strategy and review the financial and operating performance of the Group. Individual attendance of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meeting and the Nomination Committee meeting during 2006 is set out below:

Directors	Board	Attendance/Number of Meetings		
		Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>				
Mr. Chan Chun Keung	2/7	–	–	–
Mr. Bao Hongkai	0/7	–	–	–
Mrs. Judy Leissner	5/7	–	–	–
Mr. Chan Kin	0/7	–	–	–
Mr. Wu Jiahong	2/7	–	–	–
Mr. Cheng Koon Cheung	5/7	–	–	–
<i>INEDs</i>				
Mr. Ng Wing Hang, Patrick	5/7	2/2	2/2	2/2
Mr. Chan Kin Sang	6/7	2/2	2/2	2/2
Mr. Choi Man Chau, Michael	3/7	2/2	2/2	2/2

### CHAIRMAN AND CHIEF EXECUTIVE

The Group's Chairman is Mr. Chan Chun Keung, Deputy-Chairman is Mr. Bao Hongkai and Managing Director is Mrs. Judy Leissner. The roles of the Chairman and the Managing Director are segregated to reinforce their respective independence and accountability. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Deputy-Chairman is responsible for corporate planning and market development. The Managing Director, who performs the functions of chief executive of the Group, is responsible for the day-to-day management and financial operation of the Group.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term and subject to re-election. The INEDs are not appointed for specific terms but they are subject to retirement by rotation and re-election at the Annual General Meetings ("AGM") of the Company. Pursuant to Bye-law 111 of the Bye-laws of the Company, each Director shall be subject to retirement by rotation at least once every three years at the AGM. This means that the term of appointment of the Directors, including INEDs, cannot exceed three years.

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### REMUNERATION OF DIRECTORS

The Remuneration Committee was established in April 2005 and comprises the Managing Director, namely Mrs. Judy Leissner and all INEDs, namely Mr. Ng Wing Hang, Patrick, Mr. Chan Kin Sang and Mr. Choi Man Chau, Michael. Mrs. Judy Leissner is the chairperson of the Remuneration Committee.

The principle role and functions of the Remuneration Committee are to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and key executives, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

During 2006, the Remuneration Committee held two meetings. The Remuneration Committee reviewed the remuneration policies and recommended to the Board the salaries and bonus of the executive directors and certain key senior management.

The terms of reference of the Remuneration Committee are available for inspection on request during office hours at the Company's principal place of business in Hong Kong at Unit 5608, 56/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with prior appointment.

### NOMINATION OF DIRECTORS

The Nomination Committee was established in April 2005 and comprises the Managing Director, namely Mrs. Judy Leissner and all INEDs, namely Mr. Ng Wing Hang, Patrick, Mr. Chan Kin Sang and Mr. Choi Man Chau, Michael. Mrs. Judy Leissner is the chairperson of the Nomination Committee.

The principle role and functions of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

During 2006, the Nomination Committee held two meetings. The Nomination Committee has reviewed the structure, size and composition of the Board and assessed the independence of all the INEDs.

The terms of reference of the Nomination Committee are available for inspection on request during office hours at the Company's principal place of business in Hong Kong at Unit 5608, 56/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with prior appointment.

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### **AUDIT COMMITTEE**

The Board has established an Audit Committee, the current members of which are Mr. Ng Wing Hang, Patrick, Mr. Chan Kin Sang and Mr. Choi Man Chau, Michael, all of whom are INEDs. Mr. Ng Wing Hang, Patrick is the chairman of the Audit Committee.

The principle role and functions of the Audit Committee are to review and provide supervision over the Group's financial reporting process and internal controls.

During 2006, the Audit Committee held two meetings. The Audit Committee has, among other things, reviewed the financial statements of the Group for the year ended 31 December 2005 and for the six months ended 30 June 2006, and recommended such financial statements to the Board for approval.

The terms of reference of the Audit Committee are available for inspection on request during office hours at the Company's principal place of business in Hong Kong at Unit 5608, 56/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with prior appointment.

### **AUDITORS' REMUNERATION**

During the year ended 31 December 2006, the remuneration paid and payable to the auditors of the Company, Grant Thornton, for provision of the Group's statutory audit and other audit services were approximately HK\$0.6 million and HK\$0.5 million respectively. No non-audit services were provided to the Group during the year.

### **DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the Company's accounts. The financial statements for the year ended 31 December 2006 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The reporting responsibilities of the external auditors, Grant Thornton, are set out in the Independent Auditors' Report on page 22.

### **INTERNAL CONTROLS**

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. During the year 2006, the Board has reviewed the effectiveness of the existing system of internal control with a view to safeguard the shareholders' investment and the Group's assets.

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### **INVESTOR RELATIONS**

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. Media briefings will be organized from time to time to relay details of the Group's latest business initiatives and market development plans.

When necessary, regular meetings will be also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.