

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 July 2006. The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Company's listing.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiries with all its directors regarding any non-compliance with the Model Code, and all the Directors confirmed that they have fully complied with the required standards as set out in the Model Code since the Company's listing.

BOARD OF DIRECTORS

The Board is primarily responsible for establishing the strategic direction of the Group, setting objective and business development plan for the Group, monitoring the performance of the senior management and assuming responsibility for corporate governance. The Board is also responsible for the approval of annual and interim results, risk management, major acquisition(s), and other significant operational and financial matters. Both the Board and the management have clearly defined roles and powers towards internal control, policies and day-to-day operation of the Group's business. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

The Board currently comprises six executive directors, one non-executive director and three independent non-executive directors.

Executive directors

Mr. Ngok Yan Yu (*Chairman*)

Mr. Lam Hon Keung, Keith (*Deputy chairman*)

Ms. Tang Chui Yi, Janny (*Chief executive officer*)

Mr. Wong Ming Yeung

Mr. Antonio Piva

Mr. Marcello Appella

Non-executive director

Mr. Je Kin Ming

Independent non-executive directors

Mr. Lo Ming Chi, Charles

Mr. Pao Ping Wing

Mr. Kwan Hung Sang, Francis

The biographical details of the Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. Save for Ms. Tang Chui Yi, Janny is the spouse of Mr. Ngok Yan Yu, none of other Directors has any family relationships with each other.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors whom the Company considers to have the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. The Company has assessed their independence and considered that all the independent non-executive Directors are independent.

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The Board is circulated with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each board meeting. A 14 days minimum notice is also given to the Directors before each board meeting, to give them the opportunity to prepare for their attendance of such meetings and to provide them with the opportunity to include additional matters in the meeting's agenda. Board papers are dispatched to the Directors at least 3 days before the meeting to ensure they have ample time to review the papers and be adequately prepared for the meeting. Senior management, responsible for the preparation of the Board papers, are invariably invited to present their papers and to take any questions or address any queries that the Board members may have on the papers in the meeting.

The proceedings of the Board at its meeting are conducted by the chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each agenda item and also equal chances are being given to each Director to express their views and share their concerns. Minutes of the Board meetings will record in details the matters considered by the Board and the decisions reached. The draft minutes of each Board meeting are sent to the Directors for comments within a reasonable time after the meeting.

The Board schedules to hold at least four board meetings a year at approximately quarterly intervals. Since the shares of the Company were listed on the Main Board of the Stock Exchange on 13 July 2006, only two board meetings were held and the attendance of the Directors was as follows:

	Meetings attended/held
Mr. Ngok Yan Yu	2/2
Mr. Lam Hon Keung, Keith	2/2
Ms. Tang Chui Yi, Janny	2/2
Mr. Wong Ming Yeung	2/2
Mr. Antonio Piva	2/2
Mr. Marcello Appella	2/2
Mr. Je Kin Ming	2/2
Mr. Lo Ming Chi, Charles	2/2
Mr. Pao Ping Wing	2/2
Mr. Kwan Hung Sang, Francis	2/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief executive officer are separate and are not performed by the same individual. Each of them plays a distinctive role. The Chairman, Mr. Ngok Yan Yu, is responsible for the formulation of overall corporate direction and business development strategy of the Group. Mr. Ngok is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced. The Chief executive officer, Ms. Tang Chui Yi, Janny, is responsible for the day-to-day management of the Group and the implementation of the approved strategies.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Director and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years commencing from 15 June 2006, subject to the rotational retirement provision of the By-laws of the Company.

REMUNERATION OF DIRECTORS

The Company established a remuneration committee on 15 June 2006 with written term of references. The remuneration committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Kwan Hung Sang, Francis, an independent non-executive Director and Mr. Ngok Yan Yu, the chairman of the Company. The principal roles and functions of the remuneration committee include:

- To make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Group;
- To approve the terms of executive Directors' service contracts;
- To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management of the Group, and make recommendations to the Board of the remuneration of non-executive Directors and independent non-executive Directors;

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- To review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;
- To review and approve the compensation payable to executive Directors and senior management of the Group in connection with any loss or termination of their office or appointment; and
- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

During the period under review, the remuneration committee had held a meeting, on 14 September 2006, to approve the grant of share options by the Company and all committee members were present in the meeting.

NOMINATION OF DIRECTORS

The Board established a nomination committee on 15 June 2006 with written terms of references. The nomination committee comprises four members, the majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Ngok Yan Yu, the chairman of the Company and other members are the three independent non-executive Directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. The principal roles and functions of the nomination committee include:

- To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- To determine the policy for the nomination of directors;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive Directors with regard to the requirements under the Listing Rules; and
- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the Chairman and the Chief executive officer.

All new appointment of Directors and re-nomination of Directors for re-election at the annual general meeting are first considered by the Nomination Committee, which recommendations would then be put forward for the Board's decision. Subsequently, all those Directors are subject to re-election by the shareholders of the annual general meeting pursuant to the Bye-laws of the Company. In considering the new appointment or re-nomination of Directors, the Nomination Committee will focus their decisions based on attributes such as integrity, loyalty, industry exposure and professional and technical skills together with the ability to contribute time and effort to carry out their duties effectively and responsibly.

The nomination committee held its first meeting in March 2007 and all the four members of the committee attended the meeting, wherein, with the approval of the Board, it nominated Mr. Ngok Yan Yu, Ms. Tang Chui Yi, Janny, Mr. Je Kin Ming and Mr. Pao Ping Wing to retire at the 2007 annual general meeting and stand for re-appointment and they all also offer themselves for re-election by the shareholders of the Company at the 2007 annual general meeting.

AUDITORS' REMUNERATION

For the year ended 31 December 2006, the auditors' remuneration paid or payable in respect of the audit and other non-audit service provided by the auditors to the Group were as follows:

	HK\$'000
Audit service	1,125
Acting as reporting accountants for the Listing	1,534
Non-audit related service	53
	2,712

AUDIT COMMITTEE

The Company established an audit committee on 15 June 2006 with written terms of reference in compliance with the Code. The audit committee comprises three independent non-executive Directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. Mr. Lo Ming Chi, Charles is the chairman of the audit committee. All of the audit committee members possess the necessary qualifications and experience in financial matters and are well versed and well exposed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the committee include:

- To consider and recommend to the Board on the appointment, re-appointment and removal of external auditors, and to approve their remuneration, and any question of their resignation and dismissal;
- To maintain an appropriate relationship with the Group's external auditors;

- To review the financial information of the Group; and
- To oversee the Group's financial reporting system and internal control procedures.

During the period under review, the audit committee met once with the Group's senior management and its external auditors. All audit committee members were present in the meeting. The work performed by the audit committee during the period include:

- To review the interim report and interim result announcement for the six months ended 30 June 2006;
- To review the accounting principles and practices adopted by the Group and other financial reporting matters;
- To discuss with external auditor on any significant findings and audit issues;
- To discuss the effectiveness of the system of internal controls throughout the Group, including financial, operational and compliance controls, and risk management; and
- To review all significant business affairs managed by the executive Directors.

Minutes of the audit committee meeting have recorded the details of the matters considered by the audit committee members and the decisions reached. Draft of these minutes were sent to the audit committee members for comments within a reasonable time after the audit committee meeting.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statement for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2006, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

INTERNAL CONTROLS

The Board acknowledges its responsibilities for the Group's internal control system and has reviewed its effectiveness to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and best practices.

INVESTOR RELATIONS

Communication with shareholders of the Company is given the highest priority. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conferences. Press conference is held subsequent to the final results announcement at which the executive Directors avail themselves to questions regarding the Group's operational and financial performances. Designated members of the Board and the senior management of the Group are given the specific responsibilities to maintain regular dialogues with institutional investors, potential institutional investors, fund manager, shareholders and analysts to keep them abreast of the Company's development.

The Company regards the annual general meeting (the "AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders in the presence of the Company's external auditors. All the Directors and senior management of the Group will make the special effort to attend, notwithstanding their place of residence. External auditors' presence at the meeting would also allow them to address shareholders' queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings.