
Corporate Governance Report

The Company recognises the importance of good corporate governance to its healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices that are appropriate to its records. The Company's corporate governance practices are based on the principles ("Principles") and code provision ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the year under review.

BOARD OF DIRECTORS

The Board comprises two (2) Executive Directors, one (1) Non-executive Director and three (3) Independent Non-executive Directors. One-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors (including Non-executive Directors) are subject to retirement by rotation once every three year in accordance with the Company's Articles of Association and the CG Code.

The Directors' biographical information is set out in the "Biographies of Directors and Senior Management" section on pages 27 to 31.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, assisted by the Chief Executive Officer, is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director and the Chief Executive Officer.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

FREQUENCY OF MEETINGS AND ATTENDANCE

Board meeting will be held at least four times a year with additional meetings convened as and when necessary to determine overall strategic directions and objectives and approve interim and annual results and other significant matters.

During the year under review, four (4) Board meetings were held and the Directors' attendances are listed below:

Name of the Director	Number Of Board Meetings Held During The Director's Term Of Office In 2006	Number Of Meetings Attended
Executive Directors:		
CHENG Yoong Choong	4	4
CHEW Fook Seng	4	4
Non-Executive Director:		
Tan Sri CHENG Heng Jem	4	4
Independent Non-Executive Directors:		
FONG Ching, Eddy (resigned on 20 October 2006)	3	3
STUDER Werner Josef	4	4
KO Tak Fai, Desmond	4	4
YAU Ming Kim, Robert (appointed on 1 January 2007)	N/A	N/A

Note: It includes attendances via telephone conference.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the standard set out in the Model Code throughout the year ended 31 December 2006.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors independent.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The report of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 61.

AUDITORS' REMUNERATION

For the year ended 31 December 2006, the auditors of the Company received approximately HK\$4.9 million for audit services.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder's investments and Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The internal auditor, who is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk. The internal auditor also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Board, through the Audit Committee, has conducted continuous review of the effectiveness of the internal control system of the Company.

AUDIT COMMITTEE

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Audit Committee comprises three (3) Independent Non-executive Directors, namely, Mr Studer Werner Josef, Mr Ko Tak Fai, Desmond (Chairman of the Audit Committee), and Mr Yau Ming Kim, Robert (appointed since 1 January 2007).

The principal duties of the Audit Committee include the review and supervision of the Group's statutory audits, interim and annual accounts of the Group and internal control procedures.

The Audit Committee shall meet at least twice a year and the Chief Financial Officer, Chief Internal Auditor, In-House Counsel, the Compliance Officer and a representative of the external auditors of the Company shall normally be invited to attend the meetings. The Company Secretary or his/her nominee shall be the secretary of the Audit Committee.

During the year under review, there were five (5) meetings held by the Audit Committee and the attendances are listed below:

Name Of The Audit Committee Member	Number Of Meetings Held During The Member's Term Of Office In 2006	Number Of Meetings Attended
Independent Non-executive Directors:		
FONG Ching, Eddy (ceased to be a member on 20 October 2006)	4	4
STUDER Werner Josef	5	5
KO Tak Fai, Desmond	5	5
YAU Ming Kim, Robert (became a member on 1 January 2007)	N/A	N/A

Note: It includes attendances via telephone conference.

The Audit Committee reviewed the Group's results for the year 2006.

REMUNERATION COMMITTEE

Pursuant to the requirements of the CG Code, the Company has set up a Remuneration Committee consisting of three (3) members, one of whom is an Executive Director, namely Mr Cheng Yoong Chong (Chairman of the Remuneration Committee), and the other two members are its Independent Non-executive Directors, namely, Mr Ko Tak Fai, Desmond and Mr Yau Ming Kim, Robert (appointed since 1 January 2007).

The Remuneration Committee is responsible to review and develop the Group's policy on remuneration for its Directors (including Executive Directors) so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration.

The Remuneration Committee shall meet at least once a year and at such other times as its chairman shall require. No meeting was held by the Remuneration Committee during the year under review while a meeting has been scheduled to be held in the 2nd quarter of 2007.