

CORPORATE GOVERNANCE REPORT

The Group has made continued efforts to incorporate the key elements of sound corporate governance in its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of its business and to ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefit and in the interests of shareholders of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions contained in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended December 31, 2006, except that the Chairman of the Board was unable to attend the Company’s annual general meeting held on May 16, 2006 (which was required under the code provision E.1.2) as he had another engagement overseas that was important to the Company’s business.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions by directors and senior management, namely the PCPD Code of Conduct for Securities Transactions by Directors and Senior Management (“PCPD Code”), on terms not less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listing Issuers set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all directors of the Company, who have confirmed that they have complied with the required standard set out in the PCPD Code for the year ended December 31, 2006.

BOARD OF DIRECTORS

As at the date of this report, the Board has 9 members, comprising 5 executive directors and 4 independent non-executive directors. Mr. Valiant Cheung, one of the independent non-

executive directors, is a qualified accountant with substantial experience in accounting and financial matters. Biographies of all the directors up to the date of this report are set out in pages 20 to 25 of this annual report.

The Board is responsible for the management of the Company. Key responsibilities of the Board include the formulation of the Group’s overall strategies, the setting of management targets and the supervision of management performance. The Board confines itself to making broad policy decisions and exercising a number of reserved powers set out below :

1. those functions and matters as set out in the terms of reference of various committees for which Board approval must be sought from time to time;
2. those functions and matters for which Board approval must be sought in accordance with the Group’s internal policy;
3. consideration and approval of financial statements in interim reports and annual reports and announcements and press releases of interim and final results;

4. consideration of dividend policy and dividend amount; and
5. monitoring of the corporate governance of the Group in order to comply with the applicable rules and regulations.

Responsibility for more detailed considerations has been delegated to the Executive Committee under the leadership of the Chairman.

The posts of Chairman and Chief Executive Officer are held by Li Tzar Kai, Richard and Lee Chi Hong, Robert respectively. The role of the Chairman is separate from that of the Chief Executive Officer. The Chairman is responsible for ensuring the effective functioning of the Board, for providing leadership for the Board in setting the corporate goals and objectives of the Company and for ensuring that good corporate governance practices and procedures are established and enforced. The Chief Executive Officer is responsible for the day-to-day management of the Group's business and operations and for ensuring the effective implementation of the Group's strategy.

All directors have full and timely access to all relevant information, including reports from each of the Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

The directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group and which are prepared in accordance with the Hong Kong Companies Ordinance. In preparing the financial statements for the year ended December 31, 2006, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that were prudent and reasonable, stated the reasons for any significant departure from applicable accounting standards in Hong Kong and 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, results of operations, cash flows and changes in equity of the Group. The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report in page 52.

More than one third of the members of Board are independent non-executive directors which exceeds the minimum number required under the Listing Rules. The Company has received from each of its independent non-executive directors written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that those directors are independent.

The non-executive directors of the Company are appointed for a term of two years from the date of his appointment or re-election. However, all the directors of the Company are subject to retirement by rotation and re-election at its annual general meeting once every three years in accordance with the Company's Bye-laws.

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EXECUTIVE COMMITTEE

The Executive Committee of the Board operates as a general management committee with overall delegated authority from the Board. This ensures that decisions can be taken quickly to enable the Group to seize opportunities in the fast-moving business environment. The Executive Committee determines group strategy, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The Executive Committee's authority and duties are set out in written terms of reference and it reports through the Chairman to the Board.

Current members of the Executive Committee are:

1. Li Tzar Kai, Richard (*Chairman*)
2. Lee Chi Hong, Robert
3. Alexander Anthony Arena
4. Wayne Michael Verge

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for ensuring that there are formal and transparent procedures for developing and overseeing the Company's policies on the remuneration of its executive directors and senior management. In addition, the Remuneration Committee supervises the administration of the Company's share option scheme. The Remuneration Committee's authority and duties are set out in written terms of reference which specify, amongst other things, that it must comprise at least three members, the majority of whom are independent non-executive directors. The terms of reference are posted on the Company's website (www.pcpd.com).

Current members of the Remuneration Committee are:

1. Cheung Kin Piu, Valiant (*Chairman*)
2. Prof Wong Yue Chim, Richard
3. Li Tzar Kai, Richard

During the year ended December 31, 2006, the Remuneration Committee has met on one occasion. The attendance of individual directors at the committee meeting is set out in the table in page 32.

The following is a summary of the work performed by the Remuneration Committee during 2006:

- A. reviewed the remuneration of executive directors and non-executive directors and recommended the same to the Board for approval; and
- B. reviewed the existing terms of reference of the Remuneration Committee and recommended certain revisions to the Board.

Details of the remuneration of each director are set out in the financial statements in pages 86 to 90.

NOMINATION COMMITTEE

The Nomination Committee is responsible for ensuring that there are fair and transparent procedures for the appointment of directors to the Board. The Nomination Committee's authority and duties are set out in written terms of reference which specify, amongst other things, that it must comprise at least three members, the majority of whom are independent non-executive directors.

Current members of the Nomination Committee are:

1. Dr Allan Zeman (*Chairman*)
2. Li Tzar Kai, Richard
3. Cheung Kin Piu, Valiant
4. Prof Wong Yue Chim, Richard

During the year ended December 31, 2006, the Nomination Committee has met on one occasion. The attendance of individual directors at the committee meeting is set out in the table in page 32.

The following is a summary of the work performed by the Nomination Committee during 2006:

- A. advised the Board on the directors who were due to retire pursuant to law, the Company's Bye-laws and the Listing Rules and recommended their re-election to the Board; and
- B. reviewed the existing terms of reference of the Nomination Committee and considered that revision is not required.

AUDIT COMMITTEE

The Audit Committee of the Board is responsible for ensuring the objectivity and credibility of the Group's financial reporting and for ensuring that the directors have exercised the care, diligence and skills prescribed by law when presenting results to the shareholders. The Audit Committee's authority and duties are set out in written terms of reference which are posted on the Company's website.

The Audit Committee's responsibilities include the appointment, compensation and supervision of the external auditors. To ensure auditor independence, procedures have been adopted for the Audit Committee to review all audit and non-audit services provided to the Group by the external auditors.

The Audit Committee reviews the Group's financial statements and internal financial reports, as well as compliance processes and internal control systems, including the internal audit unit.

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All members of the Audit Committee are independent non-executive directors. Current members of the Audit Committee are:

1. Prof Wong Yue Chim, Richard (*Chairman*)
2. Cheung Kin Piu, Valiant
3. Tsang Link Carl, Brian

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. During the year ended December 31, 2006, the Audit Committee has met on two occasions. The attendance of individual directors at the committee meetings is set out in the table in page 32.

The following is a summary of the work performed by the Audit Committee during 2006:

- A. reviewed the financial statements for the year ended December 31, 2005 and the related annual results announcement and auditors' report, with a recommendation to the Board for approval;
- B. reviewed the report of external auditors, with a recommendation to the Board for their re-appointment at the 2006 annual general meeting;
- C. reviewed the financial statements for the six months ended June 30, 2006 and the related interim results announcement, with a recommendation to the Board for approval;
- D. reviewed external auditors' reports to the Audit Committee and their terms of engagement, communications plan and audit plan for the Group for the financial year ended December 31, 2006;
- E. reviewed various internal audit reports ;
- F. reviewed the existing terms of reference of the Audit Committee and recommended certain revisions to the Board to ensure compliance with the Listing Rules and the U.S. Sarbanes-Oxley Act;
- G. reviewed audit and non-audit services provided by external auditors; and
- H. reviewed the Group's continuing connected transactions and external auditor's report thereon.

EXTERNAL AUDITORS

The Group's external auditors are PricewaterhouseCoopers. In accordance with best practices, the external auditors' engagement partner for the Group was changed in July 2006.

During the year ended December 31, 2006, the total fees in respect of audit and non-audit services provided by PricewaterhouseCoopers (which for this purpose includes any entity that is under the common control, ownership or management of the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally) amounted to HK\$3.8 million.

The significant non-audit services covered by these fees include the following:

Nature of service	Fees paid (HK\$ million)
Tax advisory services	—
Non-statutory review services	1.7
Others	—
Total non-audit services fees	1.7

INTERNAL AUDIT

The Group's internal audit unit provides independent assurance to the Board and management on the adequacy and effectiveness of the internal controls for the Group. The internal audit unit reports directly to the Audit Committee, the Chief Executive Officer and the Chief Financial Officer.

The internal audit unit adopts a risk and control-based audit approach. An annual work plan is formulated in advance and covers major activities and processes of the Group's business and service units. All audit reports are communicated to the Audit Committee and audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee.

The Group has adopted a Corporate Responsibility Policy that applies to all employees, including directors and officers. This sets out standards in the way the Group conducts its business and the responsibilities of the Group's employees. The policy includes guidance on obligations to the Company, civic responsibilities, equal opportunities, safeguarding of company information and property, personal data privacy, prevention of bribery, conflicts of interest, competition, health and safety at work and the environment. The full version of the Corporate Responsibility Policy is posted on the Company's website.

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ATTENDANCE AT MEETINGS

All directors actively participate in the Company's business. The attendance record of directors of meetings held during the year ended December 31, 2006 is set out below:

Directors	Meetings Attended/Held in 2006				AGM
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive directors					
Li Tzar Kai, Richard (<i>Note I</i>)	3/4	—	1/1	0/1	0/1
Lee Chi Hong, Robert	4/4	—	—	—	1/1
Alexander Anthony Arena	4/4	—	—	—	1/1
James Chan	4/4	—	—	—	1/1
Gan Kim See, Wendy	4/4	—	—	—	1/1
Yuen Tin Fan, Francis (<i>Note II</i>)	2/2	—	—	1/1	1/1
Hubert Chak (<i>Note III</i>)	4/4	—	—	—	1/1
Independent non-executive directors					
Cheung Kin Piu, Valiant	4/4	2/2	1/1	1/1	1/1
Tsang Link Carl, Brian	4/4	2/2	—	—	1/1
Prof Wong Yue Chim, Richard	4/4	2/2	1/1	1/1	1/1
Dr Allan Zeman (<i>Note IV</i>)	3/4	—	0/1	—	0/1
Ronald James Blake (<i>Note V</i>)	—	—	—	—	—

Notes:

- I. Appointed as a member of the Remuneration Committee on July 18, 2006 after the meeting of that committee in 2006 had been held.
- II. Resigned as an executive director and a member of the Remuneration Committee on June 5, 2006.
- III. Resigned as an executive director on February 9, 2007.
- IV. Re-designated as an independent non-executive director and appointed as a member and the chairman of the Nomination Committee on July 18, 2006, after the meeting of that committee in 2006 had been held.
- V. Resigned as an independent non-executive director and a member of the Audit Committee, Nomination Committee and Remuneration Committee on March 17, 2006.

INVESTOR RELATIONS

The Company encourages two-way communication with both institutional and private investors. Extensive information on the Company's activities is provided in the annual and interim reports, which are sent to shareholders. Regular dialogue takes place with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcomed and will be dealt with in an informative and timely manner. Relevant contact information is provided in page 136 of this annual report.

In order to promote effective communication, financial and other information relating to the Group and its business activities is disclosed on the Company's website.

STAFF TRAINING AND DEVELOPMENT

In 2006, the Group continued to enhance and improve the standard of its employees. The Group has provided training courses to its employees or has sponsored its employees to attend courses organised by third parties, with the total training days amounting to over 400 days. The training courses aimed at assisting employees to better comply with the Group's policies and standards and to improve their career prospects within the Group. Such courses included customer services enhancement courses and legal knowledge courses provided by external consultants, anti-corruption seminars jointly organised with the Independent Commission Against Corruption, language proficiency courses, technical refresher courses and training, occupational health and safety training and training for the enhancement of mass awareness on compliance and regulatory issues.

COMMUNITY

The Group participated in, or sponsored, various charitable or community projects last year. These included the "CyberRun for Rehab" which raised funds for The Hong Kong Society for Rehabilitation, and the 2006 Sovereign Asian Art Auction Charity Dinner. The Group also actively took part in the Southern District Arts Festival 2006/07 in an effort to assist the District Council to promote the development of arts and enhance the sense of belonging in the community.

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ENVIRONMENT

The Group is committed to the protection of the environment and seeks to promote environmentally friendly measures in its operations. This includes the adoption of energy-efficient building designs, the requirement for the Group's property development contractors to use environmentally friendly and reusable materials to reduce construction waste and the implementation of an environmental management plan during site operation. The Group's commitment to environmental protection work is widely recognised and various phases of Cyberport have received, amongst others, the following awards: (i) an "Excellent" rating under the Hong Kong Building Environmental Assessment Method (HK-Beam) for new office designs (Version 1/96R); (ii) certification by the Electrical and Mechanical Services Department of compliance with the

Code of Practice for Energy Efficiency of Lift and Escalator Installations, Air Conditioning Installations and Lighting Installation; and (iii) an "Excellent Class" indoor air quality certificate issued by the Indoor Air Quality Information Centre.

On behalf of the Board

CHAN Ya Lai, Alice

Company Secretary

Hong Kong, March 28, 2007