



CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision set out in the Code on Corporate Governance Practice ("the Code on Corporate Practices") as set out in Appendix 14 of the Listing Rules. The Group has complied with the Code for the year ended 31st December 2006 with deviation explained below.

No meeting of the nomination committee and remuneration committee has been held since the listing of the Company's shares on 29th September 2006 up to 31st December 2006. The Company has scheduled a nomination committee and a remuneration committee meeting to be held on 20th April 2007. The Group will continue to monitor the corporate governance practices to ensure that such practices meet the Code.

BOARD OF DIRECTORS

The board of directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently comprises of eight directors including five executive directors and three independent non-executive directors:

Executive:

Mr. Wu Kam Bun (*Chairman*)

Mr. Lai Chiu Tai

Mr. Lo Kwok Choi (*Chief Executive Officer*)

Mr. Ho Wai Wah

Mr. Wong Wai Chuen

Independent Non-executive:

Dr. Lui Sun Wing

Mr. Li Chak Hung

Mr. Tang Koon Yiu Thomas

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 10 to 11 of this report. There is no relationship among members of the Board.

The Company has arranged appropriate insurance cover on directors' and officers' liabilities in respect of relevant actions against directors.

Board Meetings and Attendance

The Board shall meet regularly and at least four times a year. During the year ended 31st December 2006, the Board held one meeting since its listing on 29th September 2006. The attendance of the directors at the board meeting is set out as follows:

	Attendance
Mr. Wu Kam Bun	1/1
Mr. Lai Chiu Tai	1/1
Mr. Lo Kwok Choi	1/1
Mr. Ho Wai Wah	1/1
Mr. Wong Wai Chuen	1/1
Dr. Lui Sun Wing	1/1
Mr. Li Chak Hung	1/1
Mr. Tang Koon Yiu Thomas.	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the non-executive directors are independent to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company recognises that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman and Chief Executive Officer of the Company are Mr. Wu Kam Bun and Mr. Lo Kwok Choi respectively and their responsibilities are clearly established and set out in writing.

The Chairman provides leadership, determines the Group's overall development direction and strategies and ensures the Board functions effectively and discharges its responsibilities. Chief Executive Officer is responsible for implementing objectives and strategies approved and delegated by the Board of Directors.



APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 2nd September 2006 and may be terminated by either party by giving not less than three months' written notice at the end of the initial term or at any time thereafter.

Each of the independent non-executive directors of Company has entered into letters of appointment with the Company for a term of one year commencing from 2nd September 2006 and may be terminated by either party by giving three months' written notice.

Under article 87(1) of the Articles of Association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Wu Kam Bun, Mr. Lai Chiu Tai and Mr. Ho Wai Wah would retire, and being eligible, would offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

On 2nd September 2006, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Securities Dealing Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all directors, the Directors have confirmed that they have complied with the Securities Dealing Code since listing of the shares of the Company on 29th September 2006 to 31st December 2006.

RESPONSIBILITIES OF DIRECTORS

All newly appointed directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were full aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

SUPPLY AND ACCESS OF INFORMATION

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting.

All directors are entitled to have access to board papers, minutes and related materials.

AUDIT COMMITTEE

The Company established an Audit Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Audit Committee consist of three Independent Non-executive Directors, namely Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas. Mr. Li Chak Hung who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. The Audit Committee shall meet at least twice a year.

During the financial year, the Audit Committee has reviewed the accounting standards and practices adopted by the Group and to discuss matters regarding the internal controls with management. The Group's final results for the year ended 31st December 2006 have been reviewed by the Audit Committee before submission to the Board of Directors for approval.

During the year ended 31st December 2006, the Audit Committee held one meeting with full minutes kept by the company secretary.

	Attendance
Mr. Li Chak Hung	1/1
Dr. Lui Sun Wing	1/1
Mr. Tang Koon Yiu Thomas.	1/1

AUDITORS' REMUNERATION

During the year ended 31st December 2006, the fee incurred for audit and non-audit services for the Group are approximately set out as follows.

Type of services	Fee paid/payable
	<i>HK\$ '000</i>
Professional services rendered in connection with the listing of the Group	2,790
Annual audit	1,080
Tax compliance of the subsidiaries of the Group	45
	<hr/>
	3,915
	<hr/> <hr/>



NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Nomination Committee consist of one executive directors and three independent non-executive Directors, namely Mr. Wu Kam Bun (Chairman), Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas.

The role and functions of the Nomination Committee are mainly as follows:

- review the structure, size and composition of the Board (including the skills, qualifications, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors of the Company and succession planning for directors of the Company in particular the chairman and the chief executive officer of the Company;
- assess the independence of independent non-executive directors of the Company; and
- where the Board proposes a resolution to elect an individual as an independent non-executive director of the Company at a general meeting of the Company, the Committee should set out in the circular to the shareholders of the Company and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and, in particular, the reasons why they consider the individual to be independent.

The Nomination Committee shall meet at any time when necessary or desirable. The Company has scheduled the first Nomination Committee Meeting to be held on 20th April 2007

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Remuneration Committee consist of one executive directors and three independent non-executive Directors, namely Mr. Wu Kam Bun (Chairman), Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas.

The role and functions of the Remuneration Committee are mainly as follows:

- make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management of the Group, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Group. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. A significant proportion of the remuneration of the executive directors of the Group should be structured so as to link rewards to corporate and individual performance;
- 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 to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive to the Group;
- review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- ensure that no director of the Company or any of his associate is involved in deciding his own remuneration; and
- the Remuneration Committee shall advise shareholders of the Company on how to vote with respect to any service contracts of the directors of the Company that require shareholders' approval under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Remuneration Committee shall meet at any time when necessary or desirable. The Company has scheduled the first Remuneration Committee Meeting to be held on 20th April 2007.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year ended 31st December 2006.

DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group’s performance and prospects. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company’s ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility to maintain a sound and effective internal controls of the Company to safeguard the shareholders’ investments and the Company’s assets. The Company will continue to review its internal control function on a regular basis.

Maxgo CPA Limited had performed a review of the internal control of the Group in September 2006. Their findings and recommendation were presented to the Board of Directors and Audit Committee.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the board and chairman of Audit Committee will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

First annual general meeting will be held on 18th May 2007.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirement.

VOTING BY POLL

The Company informs the shareholders in the circular convening the forthcoming annual general meeting the procedures for voting for poll and to ensure shareholders will be informed Details of poll voting procedures

Pursuant to article 66 of the Articles of Association of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the shareholders present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a member.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.