



Corporate Governance Report

The board of Directors of the Company (“Board”) considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2006. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company in the financial year under review. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

Composition and role

As at the date of this report, the board of Directors of the Company comprises:

Executive Directors:	Lin Cheng Hung (<i>Chairman</i>) Hsu Chung Huang Lien Tsung
Non-executive Directors:	Chou Tsan Hsiung Nguyen Duc Van Yang Yi
Independent Non-executive Directors:	Wang Wei-Lin Chow Chi Tong Liao Kuang Sheng

The Board comprises of three executive Directors (one of whom is the Chairman) and six non-executive Directors. Of the six non-executive Directors, three of them are independent non-executive Directors which represent one-third of the Board. In addition, one of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group’s business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee work.

The executive Directors and senior management of the Group, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group’s business.



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The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company considers such Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for the Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its Directors.

The Board meets regularly throughout the year and up to the date of this annual report to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notice of at least 14 days has been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time after each meeting, and final versions of the minutes are sent to all Directors for record at reasonable time thereafter.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

There is no relationship between members of the Board and the Chief Executive Officer.

During the year ended 31 December 2006, six full Board meetings were held and the individual attendance of each Director is set out below:

Name of Director	Number of Board meetings attended	Attendance rate
Lin Cheng Hung (<i>Chairman</i>)	6/6	100%
Hsu Chung	6/6	100%
Huang Lien Tsung	6/6	100%
Chou Tsan Hsiung	6/6	100%
Nguyen Duc Van	6/6	100%
Yang Yi (appointed with effect from 1 February 2007)	0/6	N/A
Lee Cheng Few (resigned with effect from 1 February 2007)	6/6	100%
Wang Wei-Lin	6/6	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	4/6	67%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	3/6	50%
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	2/6	33%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	3/6	50%



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Chairman and Chief Executive Officer

Three executive Directors, Mr. Lin Cheng Hung, Mr. Hsu Chung and Mr. Huang Lien Tsung, serve as the Chairman, the Chief operating officer and the Chief Executive Officer of the Company respectively. Mr. Huang Lien Tsung resigned as the Chief Executive Officer of the Company effective on 24 January 2007 and continuously serves as an executive Director of the Company. Effective on the same day, Mr. Wong Chau Chi, Charles was appointed as new Chief Executive Officer of the Company. The Chairman is responsible for the overall business development operation strategy of the Group. The Chief Operating Officer is responsible for marketing and product development. The Chief Executive Officer is responsible for financial and administration management and investment issue of the Group.

Re-election of Directors

Each of the non-executive Directors and the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year. The term of each of the non-executive Directors and the independent non-executive Directors shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, unless terminated by not less than three months' notice in writing served by either the respective non-executive Director and independent non-executive Director or the Company expiring at the end of the initial term or at any time thereafter. According to Articles 108(A) of the Company's Articles of Association (the "Articles"), one-third of the Directors shall retire from office by rotation and are subjected to re-election at annual general meeting at least once every three years.

Audit Committee

The Audit Committee was established in 2006 and its members include:

Chow Chi Tong (appointed with effect from 23 May 2006) (*Chairman of committee*)

Chou Tsan Hsiung

Liao Kuang Sheng (appointed with effect from 1 September 2006)

Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)

Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)

The majority of the Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.



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The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2006.

During the year ended 31 December 2006, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Chow Chi Tong (appointed with effect from 23 May 2006)	1/2	50%
Chou Tsan Hsiung	2/2	100%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	1/2	50%
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/2	50%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	1/2	50%

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

Remuneration Committee

The Remuneration Committee was established in 2006 and the current members include:

Wang Wei-Lin (*Chairman of the committee*)

Chou Tsan Hsiung

Chow Chi Tong (appointed with effect from 23 May 2006)

Liao Kuang Sheng (appointed with effect from 1 September 2006)

Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)

Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his own remuneration.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.



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The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of executive directors and certain senior management. During the year ended 31 December 2006, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Director	Number of committee meeting attended	Attendance rate
Wang Wei-Lin	1/1	100%
Chou Tsan Hsiung	1/1	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	0/1	N/A
Liao Kuang Sheng (appointed with effect from 1 September 2006)	0/1	N/A
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/1	100%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	1/1	100%

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a nomination committee. The Company currently does not have any plans to set up a nomination committee in view of the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

During the year, the Board held two meetings in relation to the nomination and appointment of independent non-executive directors and the individual attendance of each member is set out below:

Name of Director	Attendance of the two meetings	Attendance rate
Lin Cheng Hung (<i>Chairman</i>)	2/2	100%
Hsu Chung	2/2	100%
Huang Lien Tsung	2/2	100%
Chou Tsan Hsiung	2/2	100%
Nguyen Duc Van	2/2	100%
Yang Yi (appointed with effect from 1 February 2007)	0/2	N/A
Lee Cheng Few (resigned with effect from 1 February 2007)	2/2	100%
Wang Wei-Lin	2/2	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	1/2	50%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	0/2	N/A
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/2	50%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	1/2	50%



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AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditors to the Group for the year ended 31 December 2006 is summarised as below:

Services	Remuneration (US\$)
Audit services	157,629
Non-audit services	—
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Total	157,629
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INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial and operational functions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2006, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

AUDITORS' STATEMENT

The auditors of the Company acknowledge their responsibilities in the auditors' report on the financial statements of the Group for the year ended 31 December 2006.



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INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to 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 requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive Directors and designated senior executives according to established practices and procedures of the Company.

For and on behalf of the Board

Lin Cheng Hung

Chairman

Hong Kong, 19 April 2007

