

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2006.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the “Board”) of the Company is composed of 6 Directors, including 3 Executive Directors and 3 Independent Non-executive Directors, over one-third of the Board is Independent Non-executive Directors and a majority of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors Section on pages 11 to 12 of this Annual Report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the “Group”). Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines pursuant to Appendix 16 (12B) of the Listing Rules.

Formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, his skill, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. Nomination Committee meets at least once a year in discussing whether the composition, size, structure of the Board is adequate with a majority of Directors present. According to the Articles of Association of the Company, one-third, but not exceeding one-third of Directors are subject to re-election.

Being as the Executive Chairman, Mr. He is now in charge of the Group’s strategic planning and vision defining as well as the financial management.

Ms. Yue Qian is now acting the role of Chief Executive Officer and executes her power for the daily operations of the Group and its subsidiaries, particularly on those China related projects under the full guidance of the Board.



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The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

The Board meets regularly and held 4 meetings in 2006:

Attendance

Executive Directors

Ms. Cheung Choi Ngor *	3/3
Mr. Richard Howard Gorges *	2/3
Mr. Ng Yuk Fung, Peter *	1/3
Ms. Cheung Lai Lin, Pealin *	3/3
Mr. Lo Chak Wa **	2/2
Mr. Feng Shen Chuan ***	1/1
Ms. Kuo Shu Chen ***	1/1
Mr. Feng Yung Chuan ***	1/1
Ms. Wu Xiaoqin ***	1/1

Independent Non-executive Directors

Mr. Chiu Sin Chun *	3/3
Ms. Wong Siu Yin, Elizabeth *	3/3
Ms. Li Yuen Yu, Alice *	3/3
Mr. Lo Kwok Kwei, David #	1/1
Mr. Au Wing Kit ***	1/1
Ms. Eugenia Yang ***	1/1

* Appointed on 2 May 2006 and resigned on 3 February 2007

** Appointed on 2 May 2006 and resigned on 16 October 2006

*** Resigned on 25 May 2006

Retired on 30 June 2006

Notice of at least fourteen days is given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Director.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules for Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2006.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, the Directors also acknowledged that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, a team, comprising qualified accountant, has been organized to carry out the internal audit function of the Company ("IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee on a regular interval. The scopes and timing of audit review is usually determined according to risk assessment. Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA team and the Audit Committee members.

IA Team monitors the internal control procedures and systems of the Group and reports its findings and recommendations, if any, to Audit Committee on a regular interval. During the year, the enterprises resources management and cash control of the Group were reviewed, recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancements to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team for review by Audit Committee and the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 22 to 23 of this Annual Report.



AUDITORS' REMUNERATION

For the year ended 31 December 2006, the Auditors of the Company will receive approximately HK\$600,000 for audit service. Non-audit service provided by the Auditors were approximately HK\$60,000 in 2006.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 5 December 2006, and re-elected on 3 February 2007 and comprises 1 executive director and 3 Independent Non-executive Directors. The Remuneration Committee members are Mr. He Xuechu, Dr. Lu Yungang (Chairman of the Committee), Mr. Shaw Lut, Leonard and Mr. Lee Cheuk Yin, Dannis. The Remuneration Committee met once in 2007 and was attended by all Committee members. The policies for the remuneration of Executive Directors and the Senior Management were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument of the Executive Directors and Senior Management is based on skill, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term motivation and incentive to and for retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee members meets regularly and held 4 meeting during 2006. The Audit Committee was re-elected on 3 February, 2007 and it comprises 3 Independent Non-executive Directors, namely Dr. Lu Yungang (Chairman of the Committee), Mr. Shaw Lut, Leonard and Mr. Lee Cheuk Yin, Dannis. The Audit Committee met once in 2007, out of which was attended by all Committee members. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the review of the independence of Auditors and the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with their review of the audit fees, the independence of the Auditors and recommended to the Board their re-appointment in 2007 at the forthcoming Annual General Meeting.

The Group's annual results for the year ended 31 December 2006 were reviewed by the Audit Committee.