

### **CORPORATE GOVERNANCE PRACTICES**

The board of directors of the Company (the "Board") has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all applicable code provisions in the Code throughout the year ended 31st December, 2006, except for deviations from code provision A.2.1 of the Code only as disclosed under the paragraph "Chairman and Chief Executive Officer" below.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31st December, 2006.

### **BOARD OF DIRECTORS**

The Board comprises seven Directors, four of which are executive Directors, namely Mr. Ng Hoi Ying, Michael (the Chairman), Ms. Hui Pui Woon, Mr. Ng Kim Ying and Mr. Lee Wai Chung, and three are independent non-executive Directors, namely Mr. Francis George Martin, Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric.

During the year ended 31st December, 2006, four Board meetings were held. The attendance of each Director is set out as follows:

<b>Directors</b>	<b>Attendance Record</b>
Mr. Ng Hoi Ying, Michael	4/4
Ms. Hui Pui Woon	4/4
Mr. Ng Kim Ying	4/4
Mr. Lee Wai Chung	4/4
Mr. Francis George Martin	3/4
Mr. Wong Chi Wai	4/4
Mr. Chung Hil Lan Eric	4/4

### **BOARD OF DIRECTORS (continued)**

The Board is responsible for the formulation of the key business and strategic decisions of the Company and its subsidiaries (collectively the "Group") and monitoring the performances of the management team. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's business to the management team.

Board minutes are kept by the company secretary and are sent to the Directors for records.

Each Board member is entitled to have access to Board papers and all able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Mr. Ng Hoi Ying, Michael, the Chairman of the Board and Mr. Ng Kim Ying, an executive Director, are brothers.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Hoi Ying, Michael ("Mr. Ng") is the founder and Chairman of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Ng has been carrying out the duties of both the Chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in the future as it believes that this structure ensures efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

According to Bye-law 87(1) of the Bye-laws of the Company (the "Bye-laws"), 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, the number nearest to but not less than one-third) shall retire from office by rotation. Bye-law 87(2) of the Bye-laws further provides that the Director(s) to retire by rotation shall be those who have been longest in office since their last re-election or appointment, and as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Mr. Ng Hoi Ying, Michael, Ms. Hui Pui Woon and Mr. Lee Wai Chung were re-elected as Directors of the Company in the annual general meeting of the Company held on 25th May, 2006 for a term of no more than three years and subject to retirement by rotation in accordance with the Company's Bye-laws.

Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Mr. Francis George Martin will retire at the forthcoming annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

### REMUNERATION COMMITTEE

A Remuneration Committee was established in 2003 and currently comprises Messrs. Francis George Martin (Chairman of the Remuneration Committee), Wong Chi Wai and Chung Hil Lan Eric, all of whom are independent non-executive Directors.

One Remuneration Committee meeting was held during the year ended 31st December, 2006 and the attendance of each committee member is set out as follows:

Directors	Attendance Record
Mr. Francis George Martin	1/1
Mr. Wong Chi Wai	1/1
Mr. Chung Hil Lan Eric	1/1

The major roles and functions of the Remuneration Committee are summarized as follows:

1. To determine the remuneration of the executive Directors.
2. To review the remuneration policy of the Group.

During the year ended 31st December, 2006, the Remuneration Committee has reviewed and determined the remuneration of the executive Directors and the overall remuneration policy of the Group. The remuneration of independent non-executive Directors was determined by the Remuneration Committee benchmarked against comparable companies in Hong Kong before the annual general meeting held on 25th May, 2006 and thereafter recommended by the Board and approved by the shareholders of the Company at the annual general meeting.

### ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31st December, 2006, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis.

A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 26 to 27.

## AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	1,408
Non-audit services:	
Review on 2006 interim results	290
Tax compliance services	141
Review on 2006 preliminary annual results	10

## AUDIT COMMITTEE

An Audit Committee has been established by the Company since 1998 to act in an advisory capacity and make recommendations to the Board. The Committee currently comprises Messrs. Wong Chi Wai (Chairman of the Audit Committee), Chung Hil Lan Eric and Francis George Martin, all of whom are independent non-executive Directors of the Company. The duties of the Audit Committee include review of the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Audit Committee has performed the above duties during the year ended 31st December, 2006. Three Audit Committee meetings were held during the year ended 31st December, 2006 and the attendance of each member is set out as follows:

Directors	Attendance Record
Mr. Wong Chi Wai	3/3
Mr. Chung Hil Lan Eric	3/3
Mr. Francis George Martin	3/3

## INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. Areas of responsibilities of each business and operational unit are clearly defined to ensure effective check and balances.

The Board, with the assistance of RSM Nelson Wheeler Consulting Limited, assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 31st December, 2006. No major issue but areas for improvement had been identified and appropriate measures had been taken.