

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Group is committed to a high standard of corporate governance through the adoption of the Code Provisions as set out in Appendix 14 Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Throughout the year ended 31st December 2006, the Group has complied with all the code provisions, save for the deviation discussed in the relevant paragraph below.

BOARD OF DIRECTORS

The Board of Directors (the “Board”) is the highest level of decision-making body of the Group and is charged with the responsibility of directing and supervising the Group. The responsibility of day-to-day operation and management are delegated to the management of the Group.

The Board currently comprises seven executive directors, one non-executive director and four independent non-executive directors. All directors are expressly identified by categories of executive directors, non-executive directors and independent non-executive directors in all corporate communications that disclose the names of the directors of the Group. The names and biographical details of the directors are shown under the subject “Biographical Details of Directors and Senior Management”.

During the year ended 31st December 2006, 11 Board meetings were held to discuss and decide on major issues. The Company Secretary of the Group is responsible for taking and keeping minutes of the Board meetings. All directors have free access to all Board papers and related materials. In addition, the Company Secretary provides advice and services to all directors to ensure all applicable rules and regulations are followed. Directors are also encouraged to seek independent advice when necessary at the cost of the Company.

Proposed directors have direct access to the Chairman of the Board, Company Secretary and any director to understand the business, operation and management philosophy of the Company before their formal appointments. Every newly appointed director has been given a comprehensive, formal and tailored induction on the first occasion of his appointment on his responsibilities under statute, the Listing Rules and other legal and regulatory requirements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Group’s current practice has deviated from the requirement of this provision. Mr. Tang Yu Lap is the chairman of the Group and there is no chief executive officer in the Group. The Board believes that this structure is beneficial to the group that it enables the Group to make and implement decision promptly and efficiently. To help achieve a balance of power and authority, the Executive Management Committee which comprises certain executive directors and senior management meets regularly to decide on issues relating to day-to-day management and business of the Group.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

The non-executive director and four independent non-executive directors are appointed for a term of one year and subject to rotation in accordance with the provisions in the bye-laws of the Company. During the year, Mr. Chung Shui Ming, Timpson, *GBS, JP* was re-designated from an independent non-executive director to an executive director and was appointed as the deputy chairman and managing director of the Company. Mr. Yu Hon To, David who has appropriate professional qualifications in accounting and financial management expertise has been appointed as an independent non-executive director and chairman of the Audit Committee of the Company. The Company has received annual written confirmation from each independent non-executive director for the year 2006. The Company is of the view that all the independent non-executive directors were acting independently throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as a code of conduct for director's securities transactions. Having made specific enquiry of all directors of the Company, the Company confirmed that they have complied with the required standard throughout the year.

REMUNERATION

The Company has established a remuneration committee ("Remuneration Committee") with specific written terms of references. The Remuneration Committee is responsible for formulating the remuneration policy and for making decision on the individual package of executive directors and senior management. The majority of the members of the Remuneration Committee are independent non-executive directors. Currently, Mr. Yu Man Woon is the chairman and the other members are Mr. Tang Yu Lap and Mr. Cheng Wing Chi. The head of human resources provides necessary information and support to the Remuneration Committee and acts as the secretary for the Committee responsible for preparing all papers, taking and keeping minutes of all meetings.

Each executive director is entitled to a fixed salary according to the service agreement entered with the Group, and a discretionary bonus to be decided according to the overall operation result of the Group and the individual's performance during the year. The fixed salary is decided according to the Director's qualification, experience and the prevailing market conditions. The remuneration of non-executive directors (including independent non-executive directors) was considered and approved by the Board.

In 2006, the Remuneration Committee held 7 meetings. The Board confirms that no director or his associates (as defined in the Listing Rules) takes part in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee until after the balance sheet date. The Board is responsible for all matters relating to the appointment of its members, either to fill a casual vacancy or as an addition to the existing directors. The executive directors consider the necessity of filling vacancy when arisen and also the addition to existing directors as deemed necessary. Suitable candidates are proposed to the Board or general meeting for consideration of appointment.

ROTATION OF DIRECTORS

The Provision A.4.2 of the Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The bye-laws of the Company (before the amendment) exempted the chairman and/or managing director of the Company to retire in any annual general meeting. A resolution was approved in the annual general meeting held on 29th May 2006 to rectify the bye-laws by requiring every director, including the chairman and the managing director of the Company to retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the subsequent annual general meeting, at which time they shall retire and be eligible for re-election by members.

AUDITOR'S REMUNERATION

By an ordinary resolution passed on 13th December 2006, KPMG were appointed as auditors of the Group to fill a casual vacancy following the resignation of PricewaterhouseCoopers to provide both audit and non-audit services to the Group. Non-audit services total HK\$0.93 million include review on interim financial reporting and special audits. Audit fee for the Group totaled HK\$2.79 million for the year ended 31st December 2006.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises four independent non-executive directors, the head of compliance and internal audit, and one executive director as representative from the management. The Committee is chaired by Mr. Yu Hon To, David. The other members are Mr. Yu Man Woon, Mr. Cheng Wing Chi and Professor Nyaw Mee Kau.

The responsibilities of the Audit Committee include reviewing the internal control of the Group with the assistance of the internal auditor, reviewing the financial reporting procedure of the Group and the interim and annual financial statements, approving the annual audit plans submitted by the auditors, reviewing and approving connected transactions, and monitoring the appointment of the auditors and their remuneration.

During the year ended 31st December 2006, 4 meetings of the Audit Committee have been held. A private session between the auditors and the independent non-executive directors is held immediately after each Audit Committee meeting.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Group has established its own internal control system. Proper segregation of duties is in place. The compliance and internal audit department (“CAIA”) ensures the compliance to the relevant legislations promulgated by the SFC. The CAIA also performs testings to verify that the procedures of internal control have been followed. The head of CAIA is accountable to the Audit Committee of the Group and makes regular reports to the Audit Committee. The directors have performed a review of the effectiveness of the system of internal control during the year with the assistance of the head CAIA. Control review and testing have been performed on the major operating entities of the Group. The directors would make continuous improvement and implement appropriate measures to strengthen the internal control system.

OTHER CORPORATE GOVERNANCE PRACTICE

There are three committees charged with the duty of leading and controlling the daily operation of the Group. There is a clear segregation of function performed by these committees.

The Executive Management Committee (the “EMC”) is responsible for making decision on all major issues of the Group, including Group policy formulation and implementation, operational control, budget review and approval. The EMC is chaired by the deputy chairman of the Group and comprises of all executive directors (excluding the chairman) and certain members of the senior management of the Group.

Under the EMC, there is a Risk Management Committee (the “RMC”) and a Marketing Management Committee (the “MMC”). The RMC is responsible for dealing with all risk management issues of the Group and reviewing complaints lodged by clients. The MMC is charged with the responsibility for formulating marketing policies, approving overall terms and packages to marketing staff and deciding on general terms to be offered to clients.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF MEETINGS

The attendance of individual directors of the Board and Board Committees during the year is set out as below:

Name of Director	Meetings attended/Eligible to attend		
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
<i>Executive Directors</i>			
Tang Yu Lap	11/11	—	7/7
Tang Ping Sum (Resigned on 4th October 2006)	8/9	—	—
Chung Shui Ming, Timpson (note 1)	11/11	1/1	—
Lam Ngok Fung	10/11	—	—
Ng Chiu Mui	11/11	—	—
Poon Wai Ming (Retired on 29th May 2006)	3/3	—	2/2
Law Kai Yee	8/11	—	—
<i>Non-executive Director</i>			
Fong Wo, Felix	6/11	—	—
<i>Independence Non-executive Directors</i>			
Yu Man Woon	11/11	4/4	7/7
Cheng Wing Chi	11/11	4/4	7/7
Nyaw Mee Kau	8/11	4/4	—
Yu Hon To, David (Appointed on 27th July 2006)	4/4	3/3	—

Note 1: Chung Shui Ming, Timpson was an independent non-executive director from 14th January 2004 until 26th July 2006 and an executive director from 27th July 2006.