

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving the standards of corporate conduct and to place importance on its corporate governance systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year, with specific reference to the principles and guidelines of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

The Company has complied with the code provisions laid down in the CG Code throughout the year ended 31 December 2006, except for code provisions A.1.1, A.2.1, A.4.1, A.4.2 and B.1.3, details of which are discussed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The biographical details of the directors are set out in the section "Biographies of Directors" on pages 10 to 11.

CORPORATE GOVERNANCE REPORT (continued)

The number of board meetings held in the year as well as the attendance of each Board member at those meetings are set out as follows:

Name of director	Number of meetings attended/eligible to attend
<i>Executive Directors</i>	
Dr. James Sai-Wing Wong	4/4
Mr. Sek-Kee Yu	4/4
Mr. Frank Kwok-Kit Chu	4/4
Mr. Peter Chi-Chung Luk (resigned on 11 April 2006)	1/2
Mr. Yuen-Keung Chan (appointed on 4 January 2007)	N/A
Mr. Wai-Hong Ling (appointed on 4 January 2007)	N/A
<i>Non-Executive Director</i>	
Mr. Herman Man-Hei Fung	4/4
<i>Independent Non-Executive Directors</i>	
Mr. William Gage McAfee	3/4
Mr. David Chung-Shing Wu	4/4
Mr. Tian-Quan Mo (resigned on 4 October 2006)	1/4
Mr. Sou-Tung Chan (appointed on 4 January 2007)	N/A

Board meetings of the Company were held four times during the year, in which two meetings were held on regular basis which deviated from code provision A.1.1 which stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals.

In view of the simplicity of the Group's businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the directors at the full board meetings held in the year.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the Company Secretary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed a chief executive officer since Mr. Sek-Kee Yu is the managing director of CAEL and the Contracting Operation and Mr. Frank Kwok-Kit Chu is the managing director of DMT and JvdB. DMT, JvdB, CAEL and the Contracting Operation already comprise a substantial portion of the Group's business. Dr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company. Such practices of the Company deviate from code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

RE-ELECTION OF DIRECTORS

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting 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 greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments and EIL, both are substantial shareholders of the Company, is the Chairman of the Board to safeguard the investment in the Company. As a result, the Board concurred that the Chairman of the Board need not be subject to retirement by rotation. The Company currently has no Managing Director.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three directors, of which two are independent non-executive directors. The role of the Committee is to review and recommend to the Board on the remuneration packages of executive directors.

Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference of the Remuneration Committee on 20 September 2005, which was subsequently amended. Pursuant to the terms of reference, the Remuneration Committee should "review" as opposed to "determine" the specific remuneration packages of all executive directors.

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. Details of remuneration packages of the executive directors during the year are set out under heading "Directors' Remuneration" on pages 58 and 59 of this annual report. A Remuneration Committee meeting was held in April 2007, during which the existing remuneration packages of all executive directors have been reviewed individually. The attendance of each member is shown as below.

Name of member	Number of meetings attended
<i>Non-Executive Director</i>	
Mr. Herman Man-Hei Fung	1/1
<i>Independent Non-Executive Directors</i>	
Mr. William Gage McAfee (<i>Chairman</i>)	1/1
Mr. David Chung-Shing Wu	1/1

NOMINATION OF DIRECTORS

On 4 January 2007, Messrs. Yuen-Keung Chan and Wai-Hong Ling were appointed as executive directors and Mr. Sou-Tung Chan was appointed as an independent non-executive director of the Company. Such nomination has been taken into consideration of the nominees' qualifications, abilities and potential contributions to the Company by the Board.

AUDITORS' REMUNERATION

For the year ended 31 December 2006, services provided to the Group by its auditors and the respective fees paid and payable were:

Services rendered	Fees <i>HK\$'000</i>
Audit services	1,787
Non-audit services (Tax compliance service and other services)	839

AUDIT COMMITTEE

The Audit Committee comprises three directors, of which two are independent non-executive directors.

The terms of reference for the Audit Committee has been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors financial reporting matters, both the half year results for the period ended 30 June 2006 and the annual results for the year ended 31 December 2006.

The Audit Committee met two times during the year and the attendance of each member is shown as below.

Name of member	Number of meetings attended
<i>Non-Executive Director</i>	
Mr. Herman Man-Hei Fung	2/2
<i>Independent Non-Executive Directors</i>	
Mr. William Gage McAfee (Chairman)	2/2
Mr. David Chung-Shing Wu	2/2
Mr. Tian-Quan Mo (resigned on 4 October 2006)	0/2

Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

During the year, the Audit Committee has reviewed the Group's internal control systems and considered the internal control report with the Group's executive directors and financial controller. The review covered all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 25 and 26.