



Corporate Governance Report

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the “Model Code”) as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Company lead met the code provision in the Model Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 December 2006 was as follows:

Executive directors

Mr. Dai Zhikang (*Chairman*)
Mr. Fang Bin
Mr. Zhang Wei
Mr. Lu Puling
Mr. Wang Xiangang
Mr. Tang Jian
Mr. Ye Wenbin

Independent non-executive directors

Mr. Lai Chik Fan
Mr. Lo Mun Lam, Raymond
Dr. Tse Hiu Tung, Sheldon

For the year ended 31 December 2006, 16 Board meetings were held, among which Mr. Dai Zhikang attended 8 Board meetings, Mr. Fang Bin attended 14 Board meetings, Mr. Zhang Wei attended 12 Board meetings, Mr. Lu Puling attended 3 Board meetings, Mr. Wang Xiangang attended 8 Board meetings, Mr. Tang Jian attended 12 Board meetings and Mr. Ye Wenbin attended 10 Board meetings, Mr. Lai Chik Fan attended 2 Board meetings, Mr. Lo Mun Lam, Raymond attended 2 Board meetings and Dr. Tse Hiu Tung, Sheldon attended 2 Board meetings.



Corporate Governance Report *(Continued)*

The independent non-executive Directors were appointed for a fixed term of 2 years, with Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan's term commencing from 1 January 2005 and Dr. Tse Hiu Tung, Sheldon's term commencing from 14 October 2005.

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Fang Bin, the company's chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Fang Bin. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. Mr. Dai Zhikang was responsible for overseeing the management of the Board whereas Mr. Fang Bin was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

REMUNERATION OF DIRECTORS

The remuneration committee was responsible for, among others, making recommendations on the remuneration of directors and was responsible for approving any change to existing remuneration package made available to the Directors. The remuneration committee consists of Mr. Tang Jian, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. The remuneration committee held one meeting during the year to discuss and approve the revised remuneration package of the directors.

NOMINATION OF DIRECTORS

Candidates for proposed appointment of Directors were first nominated by one of the executive directors and were assessed according to their work experience and academic achievements in the past. For the year ended 31 December 2006, no meeting was held by the Board in relation to nomination of Directors as there was no proposal received for nomination of new Directors.



Corporate Governance Report *(Continued)*

AUDITORS' REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2006, the Group has engaged its auditors to provide non-audit service in relation to the acquisition of further interest in Zendai Delta Land (details of such acquisition were set out in the announcement of the Company dated 29 May 2006). The services were related to the review and comments on the cash flow forecast prepared by the Company and the preparation of accountant report. The auditors were also remunerated according to the complexity of and time required for the assignment and the prevailing market conditions. The fee paid for such service was approximately HK\$100,000.

AUDIT COMMITTEE

The audit committee comprised of Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2006, the audit committee held two meetings, among which Mr. Lai Chik Fan attended 2 meetings, Mr. Lo Mun Lam, Raymond attended 2 meetings, and Dr. Tse Hiu Tung, Sheldon attended 2 meetings. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditors regarding their works performed. The Company's annual results for the year ended 31 December 2006 has been reviewed by the audit committee.

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO McCable Lo Limited, the auditors of the Company are stated in the auditors' report on pages 31 to 32 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors. The Board has conducted a review of the effectiveness of the system of internal control of the Group.