

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance with a view to assuring the integrity, transparency and quality of disclosure to protect the interests of all shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on the Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") for the year ended 31st December, 2006, except for the deviations as stated in paragraph headed "Chairman and Chief Executive Officer" and "Re-election of Directors".

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure the business activities and decision making processes are regulated in a proper and prudent manner.

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 of the Listing Rule for securities transactions by Directors of the Company during the year under review.

Having made specific enquiry with all Directors, each of whom has confirmed that he has complied with the required standard as set out in the Model Code for the year ended 31st December, 2006. The Model Code also applies to other specified senior management of the Group.

BOARD OF DIRECTORS

Composition and role

The Board of Directors of the Company comprises:

Executive Directors:

Lau Siu Ying (*Chairman*)
Luo Xi Zhi

Non-executive Directors:

Fung Oi Ip, Alfonso
Lo Wing Yat

Independent Non-executive Directors:

Chang Wing Seng, Victor
Wong Lit Chor, Alexis (appointed on 7th September, 2006)
Chen Yi Gang (appointed on 28th February, 2007)
Fok Wai Ming, Eddie (resigned on 7th September, 2006)
Liu Kwok Fai, Alvan (resigned on 28th February, 2007)

The Board comprises of a chairman, one executive Director and five non-executive Directors, of which three of them are independent non-executive Directors and represent more than one-third of the board. The Directors are, collectively and individually, aware of their responsibilities to the shareholders, for the manner in which the affairs of the Company are managed and operated. The Directors' biographical information is set out on pages 16 to 18 under the heading "Directors and Senior Management Profile".

Corporate Governance Report

The Board, headed by Mr. Lau Siu Ying, is responsible for the overall strategic development of the Group, the monitoring of financial performance and the internal controls of the Group's business operations. All Directors and board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Two Board Committees, namely, the Audit Committee and the Remuneration Committee, have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's business to management of the Company and its subsidiaries. Major corporate matters that are specifically delegated by the Board to the management include the preparation of financial statements for Board's approval, the execution of business strategies approved by the Board, the implementation of internal controls system and risk management procedures, and the compliance with relevant statutory requirements and other rules and regulations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Provision A2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual but Mr. Lau Siu Ying currently assumes both roles of the Chairman and the Chief Executive Officer of the Company.

Provision A.4 of the Code states that all directors should be subject to re-election at regular intervals. However, Mr. Lau Siu Ying, being the Chairman of the Board, does not need to retire by rotation.

Mr. Lau Siu Ying has been in charge of the overall management of the Company since its incorporation. As a result, although he does not need to retire by rotation and assumes both roles of the Chairman and the Chief Executive Officer of the Company, the Board considers that such arrangement at the Group's current stage of development can facilitate the execution of the Group's business strategies and maximize the effectiveness of its operations. Nevertheless, through the supervision from the Board including independent non-executive Directors, the interests of the shareholders should be adequately and fairly presented.

RE-ELECTION OF DIRECTORS

All non-executive Directors of the Company are not appointed for a specific term as stipulated under the provision A.4.1 of the Code but are subject to retirement by rotation in accordance with the Company's Bye-laws. In accordance with the relevant provisions in the Bye-laws of the Company, if the appointment of Directors is made by the Board, the Director's so appointed must stand for election by shareholders at the first annual general meeting following their appointments and all Directors, except the Chairman, must stand for re-election by shareholders by rotation.

NON-EXECUTIVE DIRECTORS

The non-executive Directors, including the independent non-executive Directors, are all seasoned individuals from diversified backgrounds and industries and at least one member has an appropriate accounting qualification or related financial management expertise as required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With their expertises, they bring independent judgments on issues of strategic directions, developments, performances and risk management through their contributions at Board meetings and committee works.

The independent non-executive Directors also maintain a balance between the interests of the minority shareholders and the Company as a whole. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 13 of the Listing Rules and the Company still considers such Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged the responsibilities for preparing the financial statements which give a true and fair view of the affairs of the Company and its subsidiaries. The auditors are responsible to form an independent opinion, based on their audits, on the Group's financial statements and express their opinions.

BOARD MEETINGS

The Board had met four times this year to review the financial performance of the Group and other major issues. The views of independent non-executive Directors were actively solicited by the Group if they were unable to attend meetings of the Board.

The names of the Directors and individual attendance of each Director during the year is as follows:

Executive Directors	Attendance
Lau Siu Ying (<i>Chairman</i>)	4/4
Luo Xi Zhi	2/4
Non-executive Directors	
Fung Oi Ip, Alfonso	4/4
Lo Wing Yat	1/4
Independent Non-executive Directors	
Chang Wing Seng, Victor	2/4
Wong Lit Chor, Alexis (appointed on 7th September, 2006)	1/1
Chen Yi Gang (appointed on 28th February, 2007)	0/0
Fok Wai Ming, Eddie (resigned on 7th September, 2006)	3/3
Liu Kwok Fai, Alvan (resigned on 28th February, 2007)	3/4

Corporate Governance Report

BOARD COMMITTEES

The Board has established Board Committees, namely Audit Committee and Remuneration Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange and its current members comprise:

Chang Wing Seng, Victor – Committee Chairman
Wong Lit Chor, Alexis (appointed on 7th September, 2006)
Fung Oi Ip, Alfonso (appointed on 28th February, 2007)
Fok Wai Ming, Eddie (resigned on 7th September, 2006)
Liu Kwok Fai, Alvan (resigned on 28th February, 2007)

Mr. Chang Wing Seng, Victor and Mr. Wong Lit Chor, Alexis are independent non-executive Directors and Mr. Fung Oi Ip, Alfonso is a non-executive Director. The Board considers that each Audit Committee member has broad commercial experiences and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee's primary responsibilities include reviewing the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31st December, 2006. Each member of the Audit Committee has unrestricted access to the auditors and all senior staff of the Group.

Individual attendance of each Audit Committee member during the year is as follows:

	Attendance
Chang Wing Seng, Victor	2/2
Wong Lit Chor, Alexis (appointed on 7th September, 2006)	1/1
Fung Oi Ip, Alfonso (appointed on 28th February, 2007)	0/0
Fok Wai Ming, Eddie (resigned on 7th September, 2006)	1/1
Liu Kwok Fai, Alvan (resigned on 28th February, 2007)	2/2

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

REMUNERATION COMMITTEE

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Stock Exchange and its current members comprise:

Chang Wing Seng, Victor – Committee Chairman
Wong Lit Chor, Alexis (appointed on 7th September, 2006)
Fung Oi Ip, Alfonso (appointed on 28th February, 2007)
Fok Wai Ming, Eddie (resigned on 7th September, 2006)
Liu Kwok Fai, Alvan (resigned on 28th February, 2007)

Mr. Chang Wing Seng, Victor And Mr. Wong Lit Chor, Alexis are independent non-executive Directors and Mr. Fung Oi Ip, Alfonso is a non-executive Director. The Remuneration Committee is responsible for ensuring that formal and transparent procedures for developing remuneration packages of directors and senior management. In determining the emolument payable to directors, it takes into consideration factors such as remuneration paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

No meeting was held by the Remuneration Committee during the year. It is expected that members of the Remuneration Committee will meet as and when required.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu was re-appointed as the Company's external auditor by shareholders at the Annual General Meeting on 28th June, 2006, until the conclusion of next Annual General Meeting. They are primarily responsible for providing audit services in connection with the financial statements of the Group for the year ended 31st December, 2006. During the year, the fees charged to the accounts of the Group for Deloitte Touche Tohmatsu's statutory audit services amounted to HKD880,000 (2005: HKD830,000).

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The board has delegated to executive management the implementation of the system of internal controls and the review of all relevant financial, operational and compliance controls and risk management function within an established framework.

The Company's internal audit department reviews the internal control system and evaluates its adequacy, effectiveness and compliance. It reports directly to the Audit Committee and presents internal audit reports to the Committee.

Corporate Governance Report

INVESTOR RELATIONSHIP AND COMMUNICATION

In order to maintain a high level of transparency in communicating with shareholders and investors, the Company has established the Corporate Communications Department in October 2006. Leading by an experienced PR and IR specialty, the said department provides tailor-made PR and IR strategies for the Company and briefs and meets with the institutional investors and analysts regularly. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive Directors and the designated section executives according to established practices and procedures of the Company.

The Company has announced its annual results and interim results in a timely manner during the year under review. The Company's Annual General Meeting provides a platform for shareholders to have a direct dialogue with the Board. Shareholders are encouraged to attend the Annual General Meeting and the Chairman and other members of the Board or their duly appointed delegates are available to answer questions from shareholders. Procedures for demanding a poll are included in the circular to shareholders dispatched together with the annual report.

The Company has also maintained a website at <http://www.fortunetele.com> which enables shareholders, investors and the general public to have access to the information of the Company. Financial information and all shareholder corporate communications of the Company are made available on the Company's website, which is to be updated regularly.

CODE OF CONDUCT

The Company is committed to high standard of business ethics and integrity. A code of conduct is enforced on all employees of the Group. The employees at all levels are expected to act in an honest, diligent and responsible manner. No personal gifts or other forms of advantages from any person or organization doing business with the Group can be accepted by any employee. Business partners and customers are reminded from time to time that our policy forbids any employee or agent of the Group from accepting any gift from them.