

CORPORATE GOVERNANCE REPORT

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2006.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

Good corporate governance has always been recognised as vital to the Group's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of its business.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2006.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

The key corporate governance principles and practices of the Company are summarised as follows:

A. DIRECTORS

A.1 The Board

The Company is headed by an effective Board which assumes responsibility for leadership and control of the Group and be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. All directors of the Company take decisions objectively in the interests of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.1.1 The Board should meet regularly at least 4 times a year at approximately quarterly intervals. Such regular Board meetings will normally involve active participation of a majority of directors.	Yes	<ul style="list-style-type: none"> During the year ended 31 December 2006, 9 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and performance, and considering and approving the overall strategies and policies of the approving the financial and operating Company.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)**A.1 The Board** (Continued)

Details of Directors' Attendance Records during the year ended 31 December 2006:

Name of Directors	Attendance/Number of Meetings		
	Board	Remuneration Committee	Audit Committee
Ms. Cheung Yan, Priscilla	8/9	–	–
Ms. Cheung Man, Catherine	9/9	1/1	–
Mr. Kung Ka Pang	5/9	–	–
Mr. Cheung Wang (Note 1)	0/6	–	–
Mr. Hui Kwok Chu (Note 2)	3/8	–	–
Mr. Lam Yu Lung	6/9	1/1	3/3
Mr. Lam Chin Fung	7/9	1/1	2/3
Mr. Wong Yam Fung (Note 3)	1/3	–	0/1
Mr. Tse Wei Kin (Note 4)	5/6	1/1	2/2

Notes:

- Mr. Cheung Wang retired as an executive director of the Company at the annual general meeting held on 15 June 2006. Before his retirement, there were a total of 6 Board meetings held.
- Mr. Hui Kwok Chu resigned as an executive director of the Company on 4 December 2006. Before his resignation, there were a total of 8 Board meetings held.
- Mr. Wong Yam Fung resigned as an independent non-executive director of the Company 20 March 2006. Before his resignation, there were a total of 3 Board meetings and 1 Audit Committee meeting held.
- Mr. Tse Wei Kin was appointed as an independent non-executive director of the Company 20 March 2006. Subsequent to his appointment, there were a total of 6 Board meetings, 1 Remuneration Committee meeting and 2 Audit Committee meetings held.

**Code Provisions
as set out in the CG Code**

Compliance

**Corporate Governance
Practices of the Company**

- | | | |
|---|-----|--|
| A.1.2 All directors should be given an opportunity to include matters in the agenda for regular Board meetings. | Yes | <ul style="list-style-type: none"> Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance and they are given reasonable time to include relevant matters for discussion at the Board meetings. |
| A.1.3 At least 14 days notice should be given for regular Board meetings. | Yes | <ul style="list-style-type: none"> Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. |

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)

A.1 The Board (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.	Yes	<ul style="list-style-type: none"> The Board and each director shall have separate and independent access to the advice and services of the Company Secretary and the senior management of the Company, whenever necessary.
A.1.5 Minutes of meetings should be kept by a duly appointed secretary of the meeting and open for inspection by any director.	Yes	<ul style="list-style-type: none"> Minutes of all meetings of the Board and Board committees are kept by the Company Secretary and they are open for directors' inspection at reasonable time upon reasonable notice.
A.1.6 Minutes should record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes should be sent to all directors for comment and records within reasonable time after the Board meeting.	Yes	<ul style="list-style-type: none"> Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final versions were sent to all directors for records.
A.1.7 The Board should have an agreed procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	Yes	<ul style="list-style-type: none"> Directors are able to seek independent professional advice upon reasonable request, at the Company's expense.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)**A.1 The Board** (Continued)**Code Provisions
as set out in the CG Code****Compliance****Corporate Governance
Practices of the Company**

A.1.8 Where substantial shareholder or director has conflict of interest in a matter which is considered material, such matter should not be dealt with by way of circulation but a Board meeting with presence of disinterested independent non-executive directors should be held. Any interested director shall abstain from voting and not be counted in quorum.

Yes

- Any transaction which involves a conflict of interests for a substantial shareholder or a director and is determined by the Board to be material, will be dealt with by a duly convened Board meeting at which any director or any of their associates have a material interest shall abstain from voting and not to be counted in the quorum at such meeting.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)

A.2 Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Company’s business. There is a clear division of responsibilities at the Company’s Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.2.1 Roles of Chairman and Chief Executive Officer should be separate and performed by the same individual. The Division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.	Yes	<ul style="list-style-type: none"> The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing. The Chairman of the Board is Ms. Cheung Yan, Priscilla, who provides leadership for the Board and is also responsible for chairing the meetings and managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is Mr. Kung Ka Pang, who is responsible for running the Company’s businesses and implementing the Group’s strategic plans and business goals.
A.2.2 The Chairman should ensure that all directors are properly briefed on issues arising at Board meetings.	Yes	<ul style="list-style-type: none"> The Chairman is responsible for ensuring that the directors receive appropriate briefing on issues arising at Board meetings.
A.2.3 The Chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	Yes	<ul style="list-style-type: none"> To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman co-ordinate with the senior management to supply and provide adequate, complete and reliable information to all directors for consideration and review.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)**A.3 Board composition**

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Board includes a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.3.1 Independent non-executive directors should be expressly identified in all corporate communications that disclose the names of directors of the issuer.	Yes	<ul style="list-style-type: none"> • The Board currently comprises 7 members, consisting of 4 executive directors and 3 independent non-executive directors. • The list of all directors is set out under "Corporate Information" contained in the Annual Report of the Company for the year ended 31 December 2006 and the independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules. • The relationships among the members of the Board are disclosed under "Directors and Senior Management Profile" contained in the Annual Report of the Company for the year ended 31 December 2006. • The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)

A.4 Appointments, re-election and removal

There is a formal, considered and transparent procedure for the appointment of new directors to the Board of the Company. There are also plans in place for orderly succession for appointments to the Board. All directors are subject to re-election at regular intervals.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.	Yes	<ul style="list-style-type: none"> Each executive director of the Company is engaged on a service contract for a term of 2 years. The appointment may be terminated by not less than 3 months' written notice. Mr. Lam Yu Lung and Mr. Tse Wei Kin, the independent non-executive directors of the Company are appointed for a term of 1 year. Mr. Lam Chin Fung, the other independent non-executive director of the Company is appointed for a term of 2 years.
A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Yes	<ul style="list-style-type: none"> In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Board as a whole is responsible for reviewing the Board structure, monitoring the appointment and nomination of directors and assessing the independence of independent non-executive directors. The Board has reviewed the Board structure, assessed the independence of the independent non-executive directors and recommended the re-appointment of the directors standing for re-election at the forthcoming Annual General Meeting of the Company.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)**A.5 Responsibilities of directors**

Every director is required to keep abreast of his responsibilities as a director of the Company and of its conduct, business activities and development. Given the essential unitary nature of the Board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.5.1 Every newly appointed director of the issuer should receive a comprehensive, formal and tailored induction on his first appointment, and subsequently such briefing and professional development as is necessary.	Yes	<ul style="list-style-type: none"> • Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. • Continuing briefings and professional development to directors will be arranged whenever necessary.
A.5.2 The functions of non-executive directors include (but not limited to): <ul style="list-style-type: none"> • Participating in Board meetings to bring an independent judgement. • Taking the lead where potential conflicts of interests arise. • Serving on Board committees, if invited. • Scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance. 	Yes	<ul style="list-style-type: none"> • The non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)

A.5 Responsibilities of directors (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer.	Yes	<ul style="list-style-type: none"> The directors are aware that they shall give sufficient time and attention to the affairs of the Company and there is satisfactory attendance of Board meetings and Board committees meeting during the year ended 31 December 2006. <p><i>Note:</i> Please refer to "Details of Directors' Attendance Records during the year ended 31 December 2006" on page 15.</p>
<p>A.5.4 Directors must comply with the Model Code set out in the Listing Rules in respect of their dealings in the issuer's securities.</p> <p>The Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the issuer's securities.</p>	Yes	<ul style="list-style-type: none"> The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 2006. The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS (Continued)**A.6 Supply of information**

Directors are provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
A.6.1 Agenda and full board papers should be sent to all directors at least 3 days before regular Board or Board committee meeting.	Yes	<ul style="list-style-type: none"> Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting.
A.6.2 Management has an obligation to supply the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each director should have separate and independent access to the issuer's senior management.	Yes	<ul style="list-style-type: none"> The senior management attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. The Board and each director also have separate and independent access to the senior management whenever necessary.
A.6.3 All directors are entitled to have access to Board papers and related materials for making an informed decision.	Yes	<ul style="list-style-type: none"> Board papers, minutes and relevant materials are available for inspection by directors.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

The Company should disclose information relating to director's remuneration policy and other remuneration related matters. There is a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing remuneration packages for all directors. Levels of remuneration are sufficient to attract and retain the directors needed to run the Company successfully. No director should be involved in deciding his own remuneration.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
B.1.1 Issuers should establish a remuneration committee with specific written terms of reference. A majority of the members should be independent non-executive directors.	Yes	<ul style="list-style-type: none"> The Company has established a Remuneration Committee with specific terms of reference. The Remuneration Committee comprises 4 members, namely Ms. Cheung Man, Catherine (Chairman), Mr. Lam Yu Lung, Mr. Lam Chin Fung and Mr. Tse Wei Kin, the majority of them are independent non-executive directors.
B.1.2 The remuneration committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if necessary.	Yes	<ul style="list-style-type: none"> The Remuneration Committee held 1 meeting during the year ended 31 December 2006 and has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management. The Remuneration Committee has consulted the Chairman and the Chief Executive Officer of the Company about their proposals. The attendance records of the Remuneration Committee are set out under "Details of Directors' Attendance Records during the year ended 31 December 2006" on page 15.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (Continued)**B.1 The level and make-up of remuneration and disclosure** (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
<p>B.1.3 Terms of reference of the remuneration committee should include, as a minimum, the following specific duties:</p> <ul style="list-style-type: none"> • To make recommendations to the Board on the issuer's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policy. • To determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board of the remuneration of non-executive directors. • To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. • To review and approve the compensation payable to executive directors and senior management in connection with loss or termination of office or appointment. • To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct. • To ensure that no director or any of his associates is involved in deciding his own remuneration. 	Yes	<ul style="list-style-type: none"> • The terms of reference of the Remuneration Committee of the Company adopts the specific duties as set out in code provision B.1.3 of the CG Code. • The roles and functions of the Remuneration Committee are set out in its terms of reference and the primary functions include: making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, and to facilitate that the remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

B.1 The level and make-up of remuneration and disclosure (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
B.1.4 The remuneration committee should make available its terms of reference, explaining its role and authority.	Yes	<ul style="list-style-type: none"> The terms of reference of the Remuneration Committee is available on the Company's website www.sewco.com.hk.
B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	<ul style="list-style-type: none"> The Remuneration Committee shall have separate and independent access to the advice and services of the senior management of the Company, and are able to seek independent professional advice at the Company's expense upon reasonable request.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.1.1 Management should provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.	Yes	<ul style="list-style-type: none"> The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT (Continued)

C.1 Financial reporting (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company										
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	<ul style="list-style-type: none"> • The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2006. • The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 35 and 36. • The remuneration paid to the Company's auditors, Messrs Ernst & Young, Certified Public Accountants, is set out below. 										
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Category of services</th> <th style="text-align: right;">Fee paid/ payable</th> </tr> </thead> <tbody> <tr> <td>Audit service for the year ended 31 December 2006</td> <td style="text-align: right;">HK\$950,000</td> </tr> <tr> <td>Non-audit service</td> <td></td> </tr> <tr> <td>– Taxation</td> <td style="text-align: right;"><u>HK\$60,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>HK\$1,010,000</u></td> </tr> </tbody> </table>	Category of services	Fee paid/ payable	Audit service for the year ended 31 December 2006	HK\$950,000	Non-audit service		– Taxation	<u>HK\$60,000</u>	Total	<u>HK\$1,010,000</u>
Category of services	Fee paid/ payable											
Audit service for the year ended 31 December 2006	HK\$950,000											
Non-audit service												
– Taxation	<u>HK\$60,000</u>											
Total	<u>HK\$1,010,000</u>											
C.1.3 The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	Yes	<ul style="list-style-type: none"> • The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. 										

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT (Continued)

C.2 Internal controls

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.2.1 Directors should at least annually review the effectiveness of internal control system (including financial, operational and compliance controls and risk management functions) of the issuer and its subsidiaries and report to shareholders that they have done so in the Corporate Governance Report.	Yes	<ul style="list-style-type: none"> • During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. Such review covered the financial, operational, compliance and risk management aspects of the Group. • The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

C.3 Audit Committee

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the auditors. The Audit Committee has been established by the Company pursuant to the Listing Rules with clear terms of reference.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.3.1 Full minutes of meetings of the audit committee should be kept by a duly appointed secretary of the meeting and the draft and final versions of minutes should be sent to all members for comment and records within a reasonable time after the meeting.	Yes	<ul style="list-style-type: none"> • Draft minutes of the Audit Committee of the Company were sent to all members for comment and records within a reasonable time after the meeting. Full minutes are kept by the Company Secretary of the Company.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT (Continued)

C.3 Audit Committee (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.3.2 A former partner of the issuer's existing auditing firm shall be prohibited from acting as a member of the audit committee for a period of 1 year commencing from the date of his ceasing (1) to be a partner of or (2) to have any financial interest in, that auditing firm, whichever is the later.	Yes	<ul style="list-style-type: none"> The Audit Committee comprises 3 members, namely Mr. Lam Yu Lung (Chairman), Mr. Lam Chin Fung and Mr. Tse Wei Kin, all of them are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.
<p>C.3.3 Terms of reference of the audit committee should include at least the following duties:</p> <ul style="list-style-type: none"> Review the relationship with external auditors including the making of recommendations to the Board on their appointment, reappointment and removal, approving their remuneration and terms of engagement, reviewing and monitoring their independence; and developing and implementing policy on the engagement of the external auditors to supply non-audit services. Review of financial information of the issuer. Oversight of the issuer's financial reporting system and internal control procedures. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee adopts the specific duties as set out in code provision C.3.3 of the CG Code. The roles and functions of the Audit Committee are set out in its terms of reference and the primary functions include: reviewing the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board; reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT (Continued)

C.3 Audit Committee (Continued)

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
C.3.4 The audit committee should make available its terms of reference, explaining its role and authority.	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee is available on the Company's website www.sewco.com.hk.
C.3.5 Where the Board disagrees with the audit committee on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view.	Yes	<ul style="list-style-type: none"> The Audit Committee held 3 meetings in 2006 and has reviewed the Group's annual results and report for the year ended 31 December 2005, interim results and report for six months ended 30 June 2006, the financial reporting and the report from the management on the Company's internal control and risk management review and processes and the re-appointment of the external auditors, subject to approval by the shareholders at the forthcoming Annual General Meeting. The attendance records of the Audit Committee are set out under "Details of Directors' Attendance Records during the year ended 31 December 2006" on page 15.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	<ul style="list-style-type: none"> The Audit Committee shall have separate and independent access to the advice and services of the senior management of the Company, and are able to seek independent professional advice at the Company's expense upon reasonable request.

CORPORATE GOVERNANCE REPORT

D. DELEGATION BY THE BOARD**D.1 Management functions**

There is a formal schedule of matters specifically reserved to the Board for decision. Clear directions have been given by the Board to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
D.1.1 The Board should give clear directions to the management as to their powers of management, and circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the issuer.	Yes	<ul style="list-style-type: none"> The organization structure clearly defines the responsibilities and authority of each divisional function. The management is responsible for the day-to-day management, administration and operation of the Company, and shall report to the directors on the progress and operations regularly and obtain prior approval from the Board in respect of any significant transactions.
D.1.2 An issuer should formalise functions reserved to the Board and those delegated to management, and should conduct periodic review to ensure that those arrangements remain appropriate to the needs of the issuer.	Yes	<ul style="list-style-type: none"> The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

CORPORATE GOVERNANCE REPORT

D. DELEGATION BY THE BOARD (Continued)

D.2 Board Committees

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
D.2.1 Where Board committees are established, the Board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	Yes	<ul style="list-style-type: none"> The Board has established 3 committees, namely the Remuneration Committee, Audit Committee and Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.
D.2.2 The terms of reference of Board committees should require such committees to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	Yes	<ul style="list-style-type: none"> All Board committees shall report to the Board on their work, findings, recommendations and decisions pursuant to their terms of reference. The terms of reference are available on the Company's website www.sewco.com.hk.

CORPORATE GOVERNANCE REPORT

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meeting or other general meetings to communicate with shareholders and encourage their participation.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
E.1.1 A separate resolution for each substantially separate issue at a general meeting should be proposed by the Chairman of that meeting.	Yes	<ul style="list-style-type: none"> To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Separate resolutions are proposed at the forthcoming Annual General Meeting for the election of directors.
E.1.2 The Chairman of the Board, and Chairmen of the audit, remuneration and nomination committees (as appropriate) (or in their absence, their delegates) should attend the annual general meeting. The Chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	<ul style="list-style-type: none"> The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or their representatives attended the 2006 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

E. COMMUNICATION WITH SHAREHOLDERS (Continued)

E.2 Voting by Poll

The Company regularly informs the shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

Code Provisions as set out in the CG Code	Compliance	Corporate Governance Practices of the Company
E.2.1 The procedures for and the rights of shareholders to demand a poll should be disclosed in circulars.	Yes	<ul style="list-style-type: none"> The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Bye-laws. Details of such rights to demand a poll were included in all circulars to shareholders and will be explained during the proceedings of meetings.
E.2.2 Except where a poll is required, the issuer should count all proxy votes and indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.	Yes	<ul style="list-style-type: none"> Scrutineer would be appointed to ensure all votes cast on resolutions at the shareholders' meetings are properly counted and recorded.
E.2.3 The Chairman of a meeting should at the commencement of the meeting provides an explanation of the procedures for demanding a poll by shareholders and for conducting a poll.	Yes	<ul style="list-style-type: none"> Poll procedures were explained by the chairman of shareholders' meetings at the commencement of the meetings. Results on any voting conducted by poll will be, before the abolition of the requirement to publish paid announcements in newspapers, published in newspapers on the business day following the shareholders' meeting and posted on the websites of the Stock Exchange and the Company.