

Corporate Governance Report

The Company recognises the importance of good corporate governance to its healthy growth, thus has devoted much efforts into formulating the best corporate governance practices that agree with its business needs.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. The Directors consider that since the listing of the shares of the Company on the Main Board of the Stock Exchange on 5 July 2006, the Company has complied with the CG Code, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer (“CEO”) should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Chiang Chen Feng currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which is constituted by a combination of three executive Directors namely Mr. Chiang Chen Feng, Ms. Chang Hsiu Hua and Mr. Han Lin, a non-executive Director, namely Ms. Lin Chien Ju, and three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung, Mr. Cui Shi Wei. Mr. Chiang Chen Feng is the Chairman of the Board.

The Board oversees the overall management and operations of the Group. Major responsibilities of the Board include approving the Group’s overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and the execution of the plans of the Group.

The non-executive Director and independent non-executive Directors have been appointed by the Company for a term of one year commencing from 10 June 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiring of the then current term of appointment, and until terminated by not less than 3 months’ notice in writing served by either the Company or the respective Director. The non-executive Director and independent non executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

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The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards set out in the Model Code since the Listing Date.

The emolument payable to Directors is determined by the Board with reference to the Directors’ duties and responsibilities.

Save as the spouse relationship between Mr. Chiang Chen Feng and Ms. Chang Hsiu Hua, the executive Directors, there is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

BOARD MEETINGS

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals.

Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2006, the Board convened a total of nine Board meetings (exclusive of meetings of Board committees constituted by the Board) and the individual attendance record of the Directors is tabulated as follows:

Name	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. Chiang Chen Feng	9	9
Ms. Chang Hsiu Hua	9	9
Mr. Han Lin	8	8
Non-executive Director		
Ms. Lin Chien Ju	9	4
Independent non-executive Directors		
Dr. Cheng Chi Pang	8	4
Mr. Ng Wai Hung	8	1
Mr. Cui Shi Wei	8	4

NOMINATION OF DIRECTORS

The Company has not set up any nomination committee during the year of review. 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. For the year ended 31 December 2006, the Board has not convened any Board meeting concerning the nomination of Directors and had not adopted any procedure and process in relation to nomination of Directors. No nomination of Directors took place since the Listing Date and up to 31 December 2006.

COMMITTEES OF THE BOARD

The Board has established the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affairs.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established an audit committee (the "Audit Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 10 June 2006. The Audit Committee consists of three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Dr. Cheng Chi Pang is the Chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditor and also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards. Since the establishment of the Audit Committee, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's results for the year ended 31 December 2006 and the audit findings with the attendance of the external auditors and Executive Directors.

The Audit Committee convened one meeting since its establishment on 10 June 2006 up to 31 December 2006. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Members of the Audit Committee

Name of Director	Number of meeting held during the year	Number of meeting attended
Dr. Cheng Chi Pang	1	1
Mr. Ng Wai Hung	1	1
Mr. Cui Shi Wei	1	1

AUDITORS' REMUNERATION

During the year, the audit and non-audit fees payable/paid to Baker Tilly Hong Kong Limited, the auditors of the Group, was made up of an audit fee of HK\$675,000 and internal control related service fees of HK\$100,000.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference adopted by reference to the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules on 10 June 2006. The Remuneration Committee consists of three independent non-executive Directors, namely Dr. Cheng Chi Pang, Mr. Ng Wai Hung and Mr. Cui Shi Wei. Mr. Cui Shi Wei is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management. No meeting had been convened by the Remuneration Committee since its establishment on 10 June 2006 and up to 31 December 2006, and during the year, the Remuneration Committee had not reviewed remuneration policy and packages of the Directors and senior management or performed any of its other prescribed functions yet.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year under review.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to facilitate effective and efficient operations, to safeguard assets, to prevent and detect fraud and error, and to ensure the quality and timely preparation of internal and external reporting and compliance with applicable laws and regulations.

The Company has maintained a tailored governance structure with clear lines of responsibility and appropriate delegation of responsibility and authority to the senior management, who are accountable for the conduct and performance of the respective business divisions under their supervision.

The Chairman and Executive Directors review monthly reports on the financial results and project progress of each business. Monthly management meetings are held to review business performance against budgets and risk management strategies. Any major variances are highlighted for investigation and control purposes.

There are established guidelines and procedures for the approval and control of expenditures. The aim is to keep the expenditure level in line with the annual budget and within the cost budget of an approved project. Expenditures are subject to overall budget control with approval levels set by reference to the level of responsibility of each manager. Depending on the nature and value, procurement of certain goods and services are required to go through the tendering process. No individual in the Group, irrespective of their rank and position, are allowed to dominate the entire expenditure process from commitment to payment.

During the year under review, the Board has through external professional party conducted a review of the effectiveness of certain aspects of the Group's internal control system and the result has been reported to the Audit Committee in January 2007. No significant weaknesses have been identified and appropriate measures have been taken for areas for improvement.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company enhances investor relations and communications by setting up meetings with the investment community. The Company also responds to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management. The Board is committed to providing clear and full information of the Company to shareholders through despatching the Group's interim and annual reports, circulars, notices, financial reports to shareholders as and when appropriate.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days before the meeting and such notice is also published in at least one English newspaper and one Chinese newspaper circulated in Hong Kong, and will also be made available on the Stock Exchange's website. The Chairman and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the Articles. Details of such rights and procedures are included in the relevant circulars to shareholders and will be explained during the proceedings of meetings where appropriate. At the commencement of the shareholders' meetings, the Chairman will ensure that the detailed procedures for conducting a poll will be explained.

Poll results will be published in the newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.