

Corporate Governance Report

The board of Directors of the Company (the "Board") is committed in achieving high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all the Group's various shareholders.

The principles of corporate governance adopted by the Group emphasis a quality board, sound internal control, and transparency and accountability to all the shareholders.

Throughout the financial year ended 31st December 2006, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix to the Listing Rules, except with the following deviations:

Code Provision A. 2. 1

There is no separation of the role of chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A.2.1. Mr. Dong Ping currently assumes the role of both the Chairman and the CEO of the Company. Since the resignation of Mr. Shen Ka Yip as the Acting Chief Executive Officer, the Company has been actively seeking a candidate whose ability and experience is suitable for the position of Chief Executive Officer. While the Company is still seeking for such candidate, Mr. Dong who is also the Chairman is utilizing his extensive experience and network in the media industry to oversee the daily operation and business development of the Group. The Group considers that such arrangement is for the best interests of the shareholders.

Code Provision A. 4. 1

The code provision A. 4. 1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

Not all the existing independent non-executive directors ("INED(s)") are appointed for a specific term. However, all INEDs are subject to the retirement by rotation and re-election at every annual general meeting of the Company in accordance with the articles of the Company.

The Board

The Board is responsible for the oversight of the management of the Company's business and affairs of the organization with the objective of enhancing shareholders value.

The Board, led by the Chairman, is responsible for the approval and monitoring of Group wide strategies and policies, approval of annual budgets and business plans, and is responsible for the day-to-day operations of the Group.

As at 31st December 2006, the Board comprised six Directors, including Chairman, one Executive Director, three Independent Non-executive Directors and one Non-executive Directors. Biographical details of the Directors appear under the Directors and Senior Management Section on page 24.

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The Board *(Continued)*

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests for the Group so that Board meeting are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affair and make contribution to the Board's functions. The Board, under the Chairman's leadership, have adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Vice President — Media Division, are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of group policies and assuming full accountability to the Board for all group operations. Acting as the principal managers of the Group's businesses, the Vice President-Media Division develops strategic operating plans that reflect the long term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the Vice President — Media Division ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results against plans and budgets, taking remedial actions when necessary and advising the Board of significant developments and issues. Ongoing dialogue are maintained with the Chairman and all Directors to keep them fully informed of all major business development and issues.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides to Directors information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held 5 meetings in 2006.

	Name of Director	Attended/Eligible to attend
Chairman	Dong Ping	5/5
Executive Director	Ko Chun Shun, Johnson	5/5
Acting Chief Executive Officer & Chief Financial Officer	Shen Ka Yip, Timothy*	1/1
Non-executive Directors	Tsoi Tong Hoo, Tony	5/5
	Cheong Chow Yin*	0/0
Independent Non-Executive Directors	Wilton Timothy Carr Ingram	5/5
	Dr. Wong Yau Kar David	5/5
	Yuen Kin	5/5

*Note: Messrs Shen Ka Yip, Timothy and Cheong Chow Yin resigned on 30 August 2006 and 29 June 2006 respectively.

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The Board *(Continued)*

All Directors are subject to re-election by shareholders at the annual general meeting following their appointment and given the current number of directors, the directors shall retire and shall be eligible to offer himself for re-election not longer than at every three years on a rotation basis. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies exist at the Board, candidates are proposed and put forward to the Board for consideration and approval, with a view of appointing to the Board individuals with leadership capabilities so as to enable the Company to retain as well as improve its competitive position.

All Directors confirmed that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code") in their securities transactions throughout the year.

Directors' Responsibility for the Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's report on page 28 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquires, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

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Company Secretary

The Company Secretary is responsible to the Board for ensuring that board procedures are followed and that activities of the Board are efficient and effective by assisting the Chairman to prepare agendas for meeting and by preparing and disseminating Board papers to the Directors and Board Committees in a timely and comprehensive manner.

The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of Report and Financial Statements and interim reports within the period laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of directors' dealings in securities of the Group.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensure that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Directors.

With respect to the secretarial function of the Group, the Company Secretary maintains formal minutes for Board and other meetings.

In relation to connected transactions, regular briefings to legal counsels of the Group are made to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analysis is performed on all potential connected transactions for presentation to directors of relevant companies for their consideration in approving transactions.

Auditors' Remuneration

A summary of fees for audit and non-audit services is as follows:

Nature of the services	2006	2005
	<i>HK'000</i>	<i>HK'000</i>
Audit services	3,110	2,316
Other services	690	2,197
	3,800	4,513

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Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The Audit Committee is chaired by Mr. Wilton Timothy Carr Ingram and the other members of the Audit Committee are Dr. Wong Yau Kar David and Mr. Yuen Kin.

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the Group's internal control system, to engage independent legal or other advisers as it determined necessary and to perform investigations.

The terms of reference of the Audit Committee adopted by the Board are published on the Group's website.

The Audit Committee held 3 meetings in 2006.

Name of Member	Attended/Eligible to attend
Wilton Timothy Carr Ingram	3/3
Dr. Wong Yau Kar David	3/3
Yuen Kin	3/3

There are no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the interim financial statements and the annual consolidated financial statements, so as to ensure that an effective control environment is maintained.

Financial Statements

The Audit Committee meets and holds discussions with the Executive Directors and other senior management of the Group on the interim results, preliminary results announcement and Annual Report. The Audit Committee reviews and discusses the management's report and representations with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Group's principal external auditors, PricewaterhouseCoopers ("PwC"), on the scope and outcome of their annual audit of the consolidated financial statements.

External Auditors

The Audit Committee reviews each year a letter from PwC confirming their independence and objectivity and holds meetings with PwC to discuss the scope of their audit.

The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

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Audit Committee *(Continued)*

External Auditors *(Continued)*

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services — includes audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditors.
- Audit related services — includes services that would normally be provided by an external auditor but not generally included in audit fees, for example, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit report for tax or other purposes. The external auditors are to be invited to undertake these services that they must or are best placed to undertake in their capacity as auditors.
- Tax related services — includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services — includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services — The Group's policy is that the external auditors are not eligible to provide services involving general consulting work.

Review of Risk Management and Internal Control

The Audit Committee reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. In reliance on these reviews, the Audit Committee makes a recommendation to the Board for approval of the consolidated financial statements for the year.

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Remuneration Committee is chaired by Mr. Ko Chun Shun, Johnson, Executive Director, with Dr. Wong Yau Kar, David and Mr. Yuen Kin, Independent Non-executive Director, as members. The Remuneration Committee meets for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee also meets as and when required to consider remuneration related matters.

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Remuneration Committee (Continued)

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to shape and execute strategy across the Group's operations. The Remuneration Committee assists the Group in the administration of the fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Group and for determining their remuneration packages. Terms of reference of the Remuneration Committee which have been adopted by the Board are available on the Group's website.

The Remuneration Committee held 1 meeting in 2006.

Name of Member	Attended/Eligible to attend
Ko Chun Shun, Johnson	1/1
Dr. Wong Yau Kar, David	1/1
Yuen Kin	1/1

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for 2006 are as below:

Name	Fees	Basic Salaries, Allowances and Benefits- in-kind	Discretionary Bonuses	Provident Fund Contributions	Total Emoluments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dong Ping	—	1,200	—	—	1,200
Ko Chun Shun, Johnson (2)	—	1,896	158	12	2,066
Shen Ka Yip, Timothy (4)	—	720	1,000	8	1,728
Tsoi Tong Hoo, Tony (1)	240	—	20	10	270
Cheong Chow Yin (4)	72	—	—	—	72
Wilton Timothy Carr Ingram (3)	—	—	—	—	—
Dr. Wong Yau Kar, David (2), (3)	144	—	—	—	144
Yuen Kin (2), (3)	144	—	—	—	144

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Remuneration Committee *(Continued)*

Notes:

- (1) Non-executive Director.
- (2) Members of the Remuneration Committee.
- (3) Independent Non-executive Directors and members of the Audit Committee.
- (4) Resigned in 2006.

During the year, no share options of the Company have been granted to directors.

Internal Control and Group Risk Management

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of the risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Company and its subsidiaries.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the reviews by the Board of the internal control system of the Company and its subsidiaries, as well as the regular business reviews by Executive Directors and the senior management.

The Board is responsible for monitoring the overall operations of the businesses within the Group. Directors are appointed to the boards of all significant material operation subsidiaries and associates to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The senior management is accountable for the performance within the agreed strategies and is accountable for its conduct and performance.

The Financial Controller of the Company, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations and derives the annual audit plan. The plan is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on internal controls and relevant financial reporting matter are to be presented to the Audit Committee, and, as appropriate to the Board. These reports are reviewed and appropriate actions are taken.

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Internal Control and Group Risk Management *(Continued)*

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement or loss.

Investor Relations and Shareholders' Rights

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication and annual reports. In addition to dispatching circular, notices and financial reports to shareholders, additional information is also available to shareholders through Investor Relations on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. The Chairman and Directors are available to answer questions on the Group's businesses at the meeting. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders. All substantive resolutions at the annual general meeting are decided on a poll. The poll is conducted by the Group's Registrars. Financial and other information is made available on the Group's website, which is regularly updated.

The Group values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are always welcomed.

By Order of the Board

Dong Ping

Chairman

Hong Kong, 23rd April 2007