

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefited from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions (“Code Provisions”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Any deviation from the Code Provisions will be explained in this report.

## 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 Rules as its code of conduct regarding director’s securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2006.

Code Provision A.5.4 also requires written guidelines (the “Written Guidelines”) should be established on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. Written Guidelines were established in 2005.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises eight Directors, of which five are executive Directors namely Mr. Chiu Kong (Chairman), Mr. Hui Richard Rui (Deputy Chairman), Ms. Cheung Sze Man, Mr. Tang Chi Ming and Mr. Tsui Ching Hung, and three are independent non-executive Directors namely Ms. Chan Ling, Eva, Mr. Chan Sek Nin Jackey and Mr. Sin Chi Fai. The three independent non-executive Directors have extensive experiences. One of the independent non-executive Directors has professional accounting qualification, which is in compliance with the requirement of the Listing Rules. Biographical details of Directors are disclosed on page 13 to 14 of this Annual Report.

## Corporate Governance Report (Continued)

The attendance of Directors of 16 board meetings held in 2006 is as follows:

Name	Attended
<i>Executive Directors</i>	
Chiu Kong	1
Hui Richard Rui	16
Cheung Sze Man *	—
Chung Nai Ting **	7
Tse Lanny Cheuk Ming **	9
Tsui Ching Hung	15
<i>Independent non-executive Directors</i>	
Chan Sze Hung **	3
Miu Frank H. **	3
Sin Chi Fai *	—
Tong Wui Tung **	1

\* appointed in November 2006

\*\* resigned

The Board is responsible for the leadership and control of the Company and oversees the Group's strategic decisions, business and performances. The Management was delegated the authority and responsibility by the Board for the management and administration of the Group.

Each of our independent non-executive Directors in 2006 has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the independent non-executive Directors in 2006 to be independent.

None of the Directors has any financial, business, family or other material / relevant relationship(s) with each other.

# Corporate Governance Report (Continued)

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. Chiu Kong. This deviates from Code Provision A.2.1 which stipulates that the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chiu Kong is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies.

## NON-EXECUTIVE DIRECTORS

Although non-executive directors are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company is currently re-considering the requirement of setting and determining the term of appointment for each non-executive director.

## REMUNERATION OF DIRECTORS

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is in the process of establishing a remuneration committee as more time is needed before all details including the composition and terms of reference are determined.

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. One broad meeting was held during the year to discuss remuneration related matters of new directors in which Hui Richard Rui, Tsui Ching Hung and Chung Nai Ting attended the meeting.

## NOMINATION OF DIRECTORS

The nomination of directors should take into consideration of the nominee's qualification, experience, ability and potential contributions to the Company. One meeting was held during the year to discuss appointment of new directors in which Hui Richard Rui, Tsui Ching Hung and Chung Nai Ting attended the meeting. The Company is currently considering the feasibility of setting up a nomination committee.

Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years. The Company had amended the bye-laws of the Company to comply with this Code Provision at the annual general meeting of the Company on 30 June 2006.

# Corporate Governance Report (Continued)

## AUDITORS' REMUNERATION

During the year 2006, fees paid to the Company's external auditors for non-audit related activities amounted to approximately HK\$265,000 which covers review of interim results in the amount of approximately HK\$200,000 and taxation services of approximately HK\$65,000.

Audit fees for the year 2006 is approximately HK\$945,000.

## AUDIT COMMITTEE

As at the date of this report, the Audit Committee is composed of three independent non-executive Directors namely Ms. Chan Ling, Eva, (Chairman of the Committee), Mr. Chan Sek Nin Jackey and Mr. Sin Chi Fai. One of the members possesses appropriate professional accounting qualification as required. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. In 2005, the terms of reference of the audit committee were revised to include all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the 2 audit committees in 2006 are as follows:

Name	Attended
Chan Sze Hung **	2
Miu Frank H. **	2
Sin Chi Fai *	—
Tong Wui Tung **	2

\* *appointed in November 2006*

\*\* *resigned*

During these meetings, the Audit Committee reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

## Corporate Governance Report (Continued)

### OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

Code Provision E.1.2 requires the chairman of the board to attend the annual general meeting of the Company. Mr. Chiu Kong did not attend the 2006 annual general meeting as he was not in Hong Kong on that day.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 18 to 19 of this Annual Report.