

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is dedicated to an ongoing enhancement of effective and efficient corporate governance practice in compliance with the principles set out in the Code on Corporate Governance Practice contained in Appendix 14 (the "Code Provision") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the financial year ended 31 December 2006 (the "Year"), the Company, in the opinion of the Board, has applied the principles and complied with the Code Provision to the Listing Rules save as the following deviations in respect of specific term of the appointment of non-executive directors and the availability of independent non-executive directors in the general meeting.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for non-executive directors, which constitutes a deviation from Code Provision of A.4.1. However, all non-executive directors are also subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to Article 157 in the Articles of Association amended on 13 September 2005.

Code Provision E.1.2 stipulates that chairman of the audit and remuneration committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, should be available to answer questions at the general meeting. Neither of the Chairman nor the members of the board committees has attended and been available to answer questions in the annual general meeting and extraordinary general meeting.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the Code Provision.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for director's securities transactions stated in the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors of the Company (the "Directors") have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

Corporate Governance Report

THE BOARD

(1) Role and function of the Board

The Board is collectively responsible for all business and affairs of the Company. All directors of the Board (the "Directors") have grave concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The role of the Board is not only limit to formulate the corporate strategic and set-up the business development plans, but also to monitor and supervise the performance of the management and review the effectiveness of internal control including the scope of financial, operational, compliance and risk management. The day-to-day management, administration and operation of the Group are delegated to the executive board members. Each executive Director has accumulated sufficient and valuable experience to hold his/her position in order to ensure that his/her fiduciary duties can be carried out in an effective and efficient manner. None of the Directors have, in any respect, related to each other in any circumstances.

(2) Chairman and Chief Executive Officer

Pursuant to Code Provision A.2.1 and to improve the transparency and independency of the corporate governance of the Company, the fiduciary duties of the chairman and the chief executive officer of the Company are segregated and not exercised by the same individual. Mr. CHUNG Wilson replaced Dr. PANG Shuen Wai, Nichols appointed as the chairman of the Company (the "Chairman") on 12 June 2006 while Mr. KITCHELL Osman Bin was appointed as the Chief Executive Officer of the Company (the "CEO") since 17 January 2006. The Chairman is responsible for the management of the Board and external corporate communication. The CEO is responsible for the day-to-day operation, monitoring performance of the management and effectiveness of the Company, including but not limited to, the implementation of the overall strategy of the Company.

(3) Board composition

As at the date of this report, the Board comprises three executive directors, namely Mr. CHUNG Wilson (Chairman), Mr. KITCHELL Osman Bin (Chief Executive Officer) and Ms. CHOI Ka Wing; one non-executive director, namely Mr. WONG Man Hon, Frederick; and three independent non-executive directors ("INED"), namely Mr. CHUNG Kong Fei, Stephen, Mr. TSANG Wing Ki and Mr. CHEN Henri Wei Hwa. Mr. TSANG Wing Ki within the INED have appropriate professional qualification of accounting and related financial management expertise.

Corporate Governance Report

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that they are independent under the definition of the Listing Rules.

Details of the backgrounds and qualifications of the Directors are set out in the Biographical Details of the Directors on pages 8 and 9 of this annual report for the Year (the "Annual Report").

(4) Meeting records

The Directors had four full Board meetings for the Year. Statistics of Directors' attendance at the Board meetings are:

Executive Directors Attendance

PANG Shuen Wai, Nichols	1/1	<i>(resigned on 12 June 2006)</i>
AU Shuk Yee, Sue	0/0	<i>(resigned on 17 January 2006)</i>
CHUNG Wilson	3/3	<i>(appointed on 12 June 2006)</i>
KITCHELL Osman Bin	4/4	
CHOI Ka Wing	1/1	<i>(appointed on 9 October 2006)</i>

Non-Executive Director Attendance

WONG Man Hon, Frederick	3/4	<i>(appointed on 24 January 2006 as an executive director and re-designated as a non-executive director on 13 June 2006)</i>
-------------------------	-----	--

Independent non-executive Directors Attendance

LAM Ping Cheung	0/1	<i>(resigned on 26 June 2006)</i>
CHUNG Kong Fei, Stephen	2/4	
TSANG Wing Ki	3/4	
CHEN Henri Wei Hwa	2/2	<i>(appointed on 28 June 2006)</i>

To ensure the compliance of the Code Provision, the Board will communicate among themselves on other occasions should a decision on a particular matter from the Board is sought save for the regular Board meetings. In addition, executive Board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are thus usually only executive directors would be attended.

Corporate Governance Report

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the “Remuneration Committee”) was established in September 2005 and adopted a term of reference of the Remuneration Committee in compliance with B.1.3 of the Code Provision. As at the date of this report, the Remuneration Committee comprises the chairman of the board, Mr. CHUNG Wilson who is also chairman of the committee, and two independent non-executive directors, Mr. TSANG Wing Ki and Mr. CHEN Henri Wei Hwa.

NOMINATION OF DIRECTORS

Nomination committee has not been set up to deal with the nomination of directors in the Company after having an assessment and a review. The Board, however, will review the profile of each Director and nominated directors (if any) on a regular basis to ensure that the composition of the Company’s Board meets the general requirements under the Listing Rules and other compliance issues and that the Company’s Board is capable to fulfill its obligations in terms of fiduciary duties and can act in the best interest of the Members of the Company.

AUDITORS’ REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit services performed by the external auditors. During the Year, remuneration in respect of audit and non-audit services provided by Messrs. Moores Rowland Mazars, the auditors of the Company, to the Group are HK\$320,000 and HK\$83,000 respectively.

AUDIT COMMITTEE

The Company’s Audit Committee was established in January 2003. The primary duties of the Audit Committee are to communicate with the executive directors of the Company from time to time, including but not limited to, to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors; to discuss with the external auditors on the nature and scope of audit prior to commencement of the auditing procedures; to review the accounting principles and practices adopted by the Company; to monitor the effectiveness of its internal control systems; and to approve the interim and annual accounts of the Company.

All members of the Audit Committee are independent non-executive directors. As at 31 December 2006, the Audit Committee comprises three independent non-executive directors, namely Mr. CHUNG Kong Fei, Stephen, Mr. TSANG Wing Ki and Mr. CHEN Henri Wei Hwa.

The Audit Committee makes at least one direct contact with external auditors of the Group each year to understand the procedures and principles for the preparation of the auditors’ report so as to serve as a basis for evaluation.

Corporate Governance Report

The Audit Committee held two meetings for the purpose of reviewing and considering the Company's financial results during the Year. Statistics of attendance of the Audit Committee meetings are as follows:

Committee members attendance

CHUNG Kong Fei, Stephen	1/2
TSANG Wing Ki	2/2
CHEN Henri Wei Hwa	2/2

The Group's unaudited interim results for the six months ended 30 June 2006 and audited final results for the year ended 31 December 2006 were reviewed by the Audit Committee, which opined that the preparations of the two sets of financial statements and the results announcements were in compliance with the applicable accounting standards and practices.

INTERNAL CONTROL REVIEW

During the Year under review, the Board has conducted a review of the effectiveness of internal control system of the Group. A professional firm has engaged to perform certain agree-upon procedures in connection with investment process. A report of findings and recommendations to improve the internal control of the Group has been submitted to the Board.

The Board believed that there were no significant weaknesses. The Board is of the view that the internal control of the Group has been considered sufficient for the time being and is sufficient to safeguard the interests of shareholders and investors.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

Responsibilities of the Directors and the Auditors are set out on page 23 of the Annual Report. The Directors acknowledge their responsibilities in relation to the preparation of financial statements for each year to give a true and fair view of the state of financial affairs of the Group and the presentation of interim and final accounts (the "Accounts") and the results announcement to the members of the Company (the "Members"). The Directors aim to present a fair and reasonable assessment of the Company's position and prospects to the Members and to disclose proper and relevant information required under the Listing Rules. Given that the Board is not aware of any material uncertainties relating to the events or conditions that may cause any significant doubt upon the going concern of the Company, the Board therefore continues to adopt going concern approach when preparing the Accounts for the Year.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS

The Board aim to ensure that its shareholders are kept well informed of key business imperatives by way of annual general meeting, extraordinary general meeting(s), Company's annual report, announcements and circulars. Individual resolution in response to specific issues (including proposals related to capital reorganisation, placement of shares and rights issue) has been put forward to the Members to consider in the general meetings during the Year. During the Year, the Company had held one annual general meeting and two extraordinary general meetings.

In compliance with the requirements on the poll voting procedures, the Company has informed the Members in respect of the procedures for voting by poll and the rights of the Members in demanding for poll pursuant to Article 100 of the Articles of Association of the Company (the "Articles") in each general meeting. A Resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded at any general meeting either by the chairman of the meetings; or any members entitled pursuant to Articles 100 of the Articles; or required under the Listing Rules. In each occasion, the Company counted all proxy votes, and except where polls were required, chairman of each general meeting had expressly indicated to the Members attending the meetings the level of proxies lodged on each resolution, and the balance for and against the resolution, after each of the resolution had been dealt with on a show of hands. Articles Limited, the Company's Hong Kong Branch Registrar, acted as scrutineer in each occasion. In each general meeting held during the Year, the Company had ensured that:

- (i) the procedure for demanding a poll by the Members before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from the Members whenever voting by way of a poll is required.

As such, the Company has complied with the requirements in relation to vote by poll.