

CORPORATE GOVERNANCE REPORT

The board has adopted the code provisions set out in the Code of Corporate Governance Practices (“the Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), which become effective on 1 January 2005. The Company has applied the principles and complied with the requirements of the Code, except for certain deviations in respect of the service term and rotation of directors.

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 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances.

During the year, four board meetings were held and the attendance of each director is set out as follows:

Directors	Number of attendance
Mr. Siu Paul Y.	4/4
Ms. Shui Wai Mei	4/4
Mr. Sheung Shing Fai	4/4
Ms. Siu Nina Margaret	4/4
Mr. Chung Pui Lam	4/4
Mr. Lam Tak Shing	3/4
Mr. Chan Fai Yue, Leo	4/4

Board Minutes are kept by the Company Secretary and are sent to the Directors for records.

Each board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company have been performed by Mr. Siu Paul Y.. The Board considered that the non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

BOARD COMPOSITION

The Board comprises four Executive Directors, being Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret, one Non-executive Director, being Mr. Siu Ronald, and three Independent Non-executive Directors, being Mr. Chung Pui Lam, Mr. Lam Tak Shing and Mr. Chan Fai Yue, Leo.

The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting, law and business management. They provide strong support towards the effective discharge of the duties and responsibilities of the board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive directors were not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

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REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director, Mr. Siu Paul Y. and two Independent Non-executive Directors, Mr. Chung Pui Lam and Mr. Chan Fai Yue, Leo. Mr. Chung Pui Lam is the Chairman of the Remuneration Committee.

During the year, one Remuneration Committee meeting was held. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Siu Paul Y.	1/1
Mr. Chung Pui Lam	1/1
Mr. Chan Fai Yue, Leo	1/1

The major roles and functions of the Remuneration Committee are summarized as follows:

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and
2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the board the overall remuneration policy for the directors and key senior management.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2006, the directors have adopted suitable accounting policies which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

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AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors. Mr. Lam Tak Shing is the Chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance of each member of Audit Committee is set out as follows:

Director	Number of attendance
Mr. Chung Pui Lam	2/2
Mr. Lam Tak Shing	1/2
Mr. Chan Fai Yue, Leo	2/2

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2006.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. CCIF CPA Limited, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	390
Non-audit services:	
Review on preliminary result announcement	8

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INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfilment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2006 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

COMMUNICATION WITH SHAREHOLDERS

The Chairman of the Board has attended at the annual general meeting to be available to answer questions at the meeting.