

Corporate Governance Report ■■■■

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Company has complied with the Code On Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the year covered by this annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by the code provision A.4.1 of the Code. However, all independent non-executive directors are subject to the retirement by rotation in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the year ended 31st December, 2006.

BOARD OF DIRECTORS

The principal duty of the board of directors (the "Board") of the Company is to ensure that the Company is properly managed in the Interest of shareholders.

The Chairman is responsible for the management of the Board. The Company does not have Chief Executive Officer. The Board is primarily responsible for the overall management of the Company and oversight of the management. Management is responsible for the day-to-day operations of the Company.

The Board consists of seven directors who have appropriate corporate experience. Of the seven directors, three of the non-executive directors are deemed to be independent by definition of the Listing Rules.

The attendance of each director at Board meetings during the year ended 31st December, 2006 is as follows:

	Attendance
Executive directors	
Mr. Lee Sammy Sean (<i>Chairman</i>) (Appointed on 13th October, 2006)	1/3
Mr. Chan Wai Hung	13/13
Mr. Mo Ka Yin, Kenneth (Appointed on 13th October, 2006)	2/3
Mr. Pang Ho Chuen, Lawrence	12/13
Independent non-executive directors	
Mr. Chan Chi Shing, Paul (Appointed on 13th October, 2006)	0/3
Mr. Kwee Chong Kok, Michael (Appointed on 13th October, 2006)	0/3
Mr. Lo Wai Keung, Peter (Appointed on 13th October, 2006)	0/3

In accordance with clause 87 of the Company's Bye-laws, Messrs. Pang Ho Chuen, Lawrence and Chan Wai Hung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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AUDIT COMMITTEE

Three independent non-executive directors of the Company were appointed as members of the Audit Committee on 13th October, 2006, one of whom possesses recognised professional qualification in finance and accounting and another one possesses professional qualification in law. The Audit Committee has not held any meeting at the rest of the year.

The Audit Committee has reviewed with the management and the auditors the audited consolidated annual results of the Group for the year ended 31st December, 2006.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 13th October, 2006 and has not held any meeting at the rest of the year. The Remuneration Committee comprises of three independent non-executive directors.

The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for setting policy on the remuneration of the executive directors and for fixing the remuneration packages of all directors and senior management. The Remuneration Committee is also responsible for ensuring the remuneration packages are sufficient to attract and retain the directors needed to run the Company successfully, to avoid over-paying and ensure no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

AUDITORS' REMUNERATION

During the year, Messrs. Patrick Ng & Company provided statutory audit services amounted to approximately HK\$200,000, and review of the financial statements of subsidiaries amounted to approximately HK\$200,000.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors are set out in Note 13 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 14th November, 2002, the Company adopted a new share option scheme, under which it may grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 29 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.