

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The Board of Directors (the "Board") believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year, the Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 as the code of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31st December, 2006.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three executive directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer) and Mr. Cao Jian An; and three independent non-executive directors, namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen.

A total of 32 board meetings were held during the year ended 31st December, 2006 with individual attendance of directors as follows:

Directors	Attendance
Suen Cho Hung, Paul	31/32
Sue Ka Lok	32/32
Cao Jian An	5/32
Sun Ka Ziang, Henry	4/32
Kwok Ming Fai	4/32
Wong Yun Kuen	4/32

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The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management, it also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with terms of reference as set out in the CG Code. The Remuneration Committee consists of three independent non-executive directors and one executive director. As at the date of this report, the members of the Remuneration Committee are as follows:-

Mr. Kwok Ming Fai (*Chairman*)
Mr. Sun Ka Ziang, Henry
Dr. Wong Yun Kuen
Mr. Sue Ka Lok

One committee meeting was held during the year ended 31st December, 2006 to discuss the remuneration of directors and senior management of the Company with individual attendance of members as follows:

Directors	Attendance
Kwok Ming Fai	1/1
Sun Ka Ziang, Henry	1/1
Wong Yun Kuen	1/1
Sue Ka Lok	1/1

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages of all executive directors and senior management as well as making recommendations to the Board of remuneration of non-executive directors.

AUDITORS' REMUNERATION

For the year ended 31st December, 2006, payments to the auditors of the Company for providing audit and non-audit services are approximately HK\$1,905,000 and HK\$338,000 respectively.

AUDIT COMMITTEE

The Audit Committee of the Company was established with terms of reference as set out in the CG Code. The Audit Committee comprises three independent non-executive directors namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen. The Chairman of the Audit Committee is Mr. Sun Ka Ziang, Henry.

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The Audit Committee held two meetings during the year ended 31st December, 2006 with individual attendance of members as follows:

Members	Attendance
Sun Ka Ziang, Henry	2/2
Kwok Ming Fai	2/2
Wong Yun Kuen	2/2

During the year ended 31st December, 2006, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and annual audited results of the Group.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibility for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 22 to 23.

INTERNAL CONTROL

The Board recognizes its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorized use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year, the Board conducted a review of the effectiveness of the internal control system of the Group.