

# Corporate Governance Report

The Board of Directors (the “Board”) and the management of the Company are committed ourselves to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, successful business growth, balancing of business risk and enhancing of shareholders’ value.

The Company has complied with the code provisions set out in Appendix 14, Code on Corporate Governance Practice (the “Code”), to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange throughout the period since its shares have been listed on the Stock Exchange on February 23, 2007 (the “Listing”) and up to the date of this report.

## THE BOARD

### Responsibilities

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are periodically reviewed.

### Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the “INEDs”). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times met the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

### Executive Directors

Dr. Wang Shih Chang, George (*Chairman & chairman of Remuneration Committee*)

Wong Sai Chung (*Managing Director*)

Xu Li Chang

### Non-executive Director

Kwan Kai Cheong

### Independent Non-executive Directors

Warren Talbot Beckwith (*chairman of Audit Committee*)

Luk Koon Hoo (*member of Audit Committee & member of Remuneration Committee*)

Garry Alides Willinge (*member of Audit Committee & member of Remuneration Committee*)

Cheng Chaun Kwan, Michael (*member of Audit Committee*)

Wu Zhi Gao (*member of Audit Committee*)

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The relationship among members of the Board and the biographies of the directors were disclosed under the “Directors’ and Senior Management’s Profile” section of the 2006 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company’s day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board’s approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

## **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

All directors of the Company (“Directors”) are currently appointed with specific terms, which are subject to retirement in accordance with the articles of association of the Company (“Articles”). According to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exit, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company’s needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

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The Company's circular dated April 13, 2007 contains detailed information of the Directors standing for re-election.

## TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assists in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new Director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

## BOARD MEETINGS

The Board met regularly in person or by means of electronic communication. The Board is going to meet at least four times a year following the Listing, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board and Audit Committee since its Listing and up to the date of this report is set out on page 19.

### Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices and regular meetings would be served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

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## BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2006 Annual Report.

### Meeting attendance since its Listing and up to the date of this report

Name of Directors	Regular Board Meeting	Audit Committee Meeting
Dr. Wang Shih Chang, George	1/1	1/1
Wong Sai Chung	1/1	N/A
Xu Li Chang	0/1	N/A
Kwan Kai Cheong	0/1	1/1
Warren Talbot Beckwith	1/1	1/1
Luk Koon Hoo	1/1	1/1
Garry Alides Willinge	1/1	1/1
Cheng Chaun Kwan, Michael	1/1	1/1
Wu Zhi Gao	0/1	0/1

### The Audit Committee

#### *Composition of the Committee*

Warren Talbot Beckwith (*Chairman*)

Luk Koon Hoo

Garry Alides Willinge

Cheng Chaun Kwan, Michael

Wu Zhi Gao

The Company established an Audit Committee comprises 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the Company's financial statement and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

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- (b) 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.
- (c) To review the adequacy and effectiveness of the company's financial reporting system, internal control system and risk management system and associated procedures.

Since the Listing and up to the date of this report, the Audit Committee met once to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment of external auditors.

The Company's annual result for the year ended December 31, 2006 has been reviewed by the Audit Committee.

## **The Remuneration Committee**

### *Composition of the Committee*

Dr. Wang Shih Chang, George (*Chairman*)

Luk Koon Hoo

Garry Alides Willinge

The Company established a Remuneration Committee comprises an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

- (a) To make recommendation to the Board on the policy and structure for all remuneration of Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- (b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere and desirability of performance-based remuneration.
- (c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

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The first Remuneration Committee will be held in the financial year ending after the Listing.

The remuneration of the Directors for the year ended December 31, 2006 was set out in note 11 to the consolidated financial statements.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non executive directors and each INED.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in Model Code since its Listing and up to the date of this report.

## **INTERNAL CONTROL**

The Board has overall responsibility for maintaining an adequate internal control system to safeguard shareholders investment and Company assets. The Group has appointed an independent professional to review the effectiveness of internal control system. Relevant recommendations made by the independent professional will be implemented by the Company in stages.

## **RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 33 to 34.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit service for the year ended December 31, 2006 are set out below:

	Year ended December 31, 2006 HK\$'000
Services rendered	
– Audit services	963
– Non-audit services	2,555
	<hr/> 3,518

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings, if necessary.

Poll results, if any, will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The Company endeavors to maintain a high level of transparency in communicating with shareholders and the investment community. Briefings and meetings with institutional investors and analysts are conducted as needed and required. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on its business on a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by directors and designated senior executives. The Company prepares to announce its results on a timely manner in accordance with the requirements under the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquires by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

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## OTHERS

### Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung (“Mr. Wong”) that after the Listing of the shares of the Company and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

### New Business Opportunities

After the Listing and up to the date of this report, there is no new business opportunities referred to the Group that have to be referred to the INEDs for review.

### Properties under Options

After the Listing and up to the date of this report, no Options for the acquisition of the properties are exercised. The Company has appointed independent financial advisor to advise the INEDs relating to the Options. Further details of the Options are set out on page 7 and in the Prospectus.

### First Right of Refusal for the Properties under Options

After the Listing and up to the date of this report, the Company is not entitled to the first right of refusal for the properties under Options.