

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which became effective on 1st January, 2005. The Company has complied with the code provisions (with the exception of Code Provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) as set out in the CG Code throughout the year ended 31st December, 2006. Explanations for such non-compliance are provided and discussed below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). All directors had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2006.

BOARD OF DIRECTORS

The Board currently comprises three executive directors, and four non-executive directors, three of whom are independent non-executive directors.

The Board members for the year ended 31st December, 2006 were:

Executive Directors

Mr. Pang Tak Chung (*Chairman*)
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
Mr. John Cyril Fletcher

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

In compliance with the code provisions of the CG Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of directors to be the Board’s collective decision and this does not intend to adopt the recommended best practices of CG Code to set up a Nomination Committee. Details of nomination of directors are set out in the section “Nomination of Directors” below.

The directors have acknowledged their responsibilities for preparing the accounts of the Group.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor’s Report on page 18 of this Annual Report.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers each of the independent non-executive directors to be independent.

TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive directors should be appointed for a specific term and should be subject to re-election.

The non-executive directors were not appointed for a specific term. All directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-Laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company’s business strategies which will enable the Company to sustain the development of the Company’s business efficiently.

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BOARD MEETINGS

The Board met four times regularly during the year. At the meetings the directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. Daily operational matters are delegated to management.

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed and also keeps detailed minutes of each meeting, which are circulated and available to all directors.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

AUDIT COMMITTEE

The Group established its Audit Committee on 5th January, 1999. The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors of the Company. The Audit Committee is chaired by Mr. Yu Kwok Kan, Stephen. The Audit Committee shall meet at least twice a year to review the Group's financial reporting process and internal control.

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met three times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's financial statements for the year ended 31st December, 2006 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Group established its Remuneration Committee on 21st April, 2005. In order to comply with the requirements under the CG Code, a majority of the members of the Remuneration Committee has to be independent non-executive directors. Currently, the Remuneration Committee comprises Mr. Robert Keith Davies who is a non-executive director; Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors of the Company. Mr. Yu Kwok Kan, Stephen is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has adopted terms of reference which are in line with the CG Code.

The Remuneration Committee held one meeting during the year and reviewed the remuneration package of executive directors and adopted the remuneration policy for executive directors for the year ended 31st December, 2006.

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DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2006

Name and Designation	Number of Meetings attended/held during the year		
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Executive Directors			
Mr. Pang Tak Chung (<i>Chairman</i>)	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy (<i>Vice Chairman</i>)	4/4	N/A	N/A
Mr. John Cyril Fletcher	4/4	N/A	N/A
Non-Executive Director			
Mr. Robert Keith Davies	4/4	N/A	1/1
Independent Non-Executive Directors			
Mr. Yu Kwok Kan, Stephen	4/4	3/3	1/1
Mr. Chan Yat Yan	4/4	3/3	1/1
Mr. Lo Yip Tong	4/4	3/3	1/1

N/A: Not Applicable

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control to safeguard the Group's assets and shareholders' interests. The Board has conducted an annual review and will conduct regular reviews on the Group's internal control system.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-Laws to appoint any person as a director either to fill a casual vacancy on or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on their professional qualifications and experience.

AUDITORS' REMUNERATION

During the year ended 31st December, 2006, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount (HK\$'000)
Review fee for 2006 interim results	305
Audit fee for 2006 final results	2,900
Audit service fee for Occupational Retirement Schemes	6
Total audit services	3,211

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SHAREHOLDER RELATIONS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting (the "AGM") allows the directors to meet and communicate with shareholders. The chairman is actively involved in organizing the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. The chairman proposes separate resolutions for each issue to be considered at the AGM.

AGM proceedings are reviewed periodically to ensure that the Group follows best corporate governance practices. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The chairman explains the procedures for demanding and conducting a poll again at the beginning of the meeting, and (except where a poll is required) reveals how many proxies for and against have been filed in respect of each resolution.

Our corporate website which contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group enable shareholders to have timely and updated information of the Group.