

The Company is committed to maintain good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors (the “Board”) believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders’ value.

CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance practices are based on the principles (“Principles”) and code provisions (“Code Provisions”) set out in the Code of Corporate Governance Practices (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”). The Company has complied with most of the Code Provisions save for the following:

1. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-Law 87 (1) of the Company’s Bye-Laws; and
2. There is no separation of the role of the chairman and the chief executive officer (“CEO”). Mr. Michele Matsuda currently is appointed as the Chairman and CEO of the Company. The Board believes that vesting the roles of both chairman and CEO to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development of the Group.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

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 its code of conduct regarding Directors’ securities transaction.

To the specific enquiry by the Company, all directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2006.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, reviewing substantial investments and the Group's financial performance half-yearly while delegating the day-to-day operations of the Company to the management of every business segments. The Board is committed to make decisions in the best interests of both the Company and its shareholders.

All directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31 December 2006, the Board comprised seven members, including four Executive Directors and three Independent Non-executive Directors. Biographical details of the directors are set out on pages 15 to 16.

During the year ended 31 December 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Company has appointed a Non-executive Director, Mr. Shinji Yamamoto on 16 February 2007 for a fixed term of two years. The term of the Non-executive Director is same as those of Executive Directors regarding the retirement during annual general meetings. The Bye-Laws of the Company requires that one-third of the Directors (including Executive and Non-Executive Directors) shall retire each year. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

THE BOARD *(continued)*

Board Meetings

Six Board meetings were held during the year ended 31 December 2006 and details of the Directors' attendance are set out below:

Directors	Attendance / Number of Meetings
<i>Executive Directors</i>	
Mr. Michele Matsuda (<i>Chairman</i>)	6/6
Mr. Yiu Ying Fai (<i>joined on 26 May 2006</i>)	5/6
Mr. Leung To Kwong, Valiant	6/6
Mr. Cheung Chi Fai, Frank	6/6
Mr. Daijiro Nishihama (<i>resigned on 21 March 2006</i>)	0/6
<i>Independent Non-Executive Directors</i>	
Mr. Zhou Ji, Jason	6/6
Professor Chen Tien-yiu, Theodore	6/6
Mr. Wong Tak Shing (<i>joined on 1 April, 2006</i>)	6/6
Mr. Keijiro Hasegawa (<i>resigned on 1 September 2006</i>)	2/6

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to its shareholders for the well-being and success of the Company.

Therefore, the Board has established four committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee, to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

EXECUTIVE COMMITTEE

The Executive Committee has been established since September 2001 to assist the Board in discharging its duties and dealing with routine business of the Company and enhance the effectiveness and efficiency of day-to-day operation of the Company. The members are mainly the executive directors of the Company. There is no minimum meeting requirement and the committee shall meet as and when necessary for proper discharge of its duties. There are 15 committee meetings held during the year 2006.

NOMINATION COMMITTEE

On 12 June 2006, the Board established and formulated written terms of reference for the Nomination Committee pursuant to the recommended best practices of the CG Code. The Nomination Committee currently consists of the Vice Chairman of the Board who also acts as the Chairman of the Nomination Committee and all Independent Non-executive Directors.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the board of directors on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive directors and making recommendations to the board of directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

The Nomination Committee shall meet at least once per year according to its Terms of Reference. As the Nomination Committee was established in June 2006, it did not hold any meetings within the year under review.

The Board and the Nomination Committee takes into factors of the caliber, relevant experience and integrity as the criteria selecting candidates for directorship. During the year under review, before the establishment of the Nomination Committee, the Board had appointed (i) Mr. Wong Tak Shing as the Independent Non-executive Director with effect from 1 April 2006 and (ii) Mr. Yiu Ying Fai as Vice Chairman and Executive Director with effect from 26 May 2006.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all Independent Non-executive Directors, the Chief Financial Officer of the Company and Mr. Leung To Kwong, Valiant, the Executive Director of the Company, who joined this committee on 16 October 2006. Mr. Zhou Ji, Jason is the Chairman of this committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. When determining remuneration packages of certain executive directors and senior management of the Company, the Remuneration Committee takes into consideration on factors such as market forces and remuneration packages of executive directors of similar companies in comparable industries both in Hong Kong and overseas.

REMUNERATION COMMITTEE *(continued)*

There were two meetings held during the year under review, details of attendance are set out below:

Remuneration Committee members	Attendance/Number of Meetings
Mr. Zhou Ji, Jason (<i>Chairman</i>)	2/2
Mr. Leung To Kwong, Valiant	1/2
Professor Chen Tien-yiu, Theodore	2/2
Mr. Wong Tak Shing (<i>joined on 1 April 2006</i>)	2/2
Mr. Kwok Ka Yiu	2/2
Mr. Keijiro Hasegawa (<i>resigned on 1 September 2006</i>)	1/2

During the year under review, the Remuneration Committee assisted the Group to set up standardized remuneration policy and salary review procedures that applies to all full time employees of the Group (including executive directors, division heads, senior executives and general staff).

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors with Mr. Zhou Ji, Jason as Chairman of the Committee.

The main duties of the Audit Committee are to consider the appointment and resignation of the external auditors and to discuss with the external auditors the nature and scope of the audit. It is also responsible for reviewing the half-yearly and annual financial statements before submission to the Board and the Company's statement on internal control systems and the internal audit programme. It also needs to discuss problems and reservations arising from the interim and final audits and to consider the major findings of internal investigations and management's response.

There were two meetings held during the year under review, details of attendance are set out below:

Audit Committee members	Attendance/Number of Meetings
Mr. Zhou Ji, Jason (<i>Chairman</i>)	2/2
Professor Chen Tien-yiu, Theodore	2/2
Mr. Wong Tak Shing (<i>joined on 1 April 2006</i>)	2/2
Mr. Keijiro Hasegawa (<i>resigned on 1 September 2006</i>)	1/2

During the year under review, the Audit Committee had considered, reviewed and discussed any areas of concerns during the audits and the internal control procedures and corporate governance of the Group and approved the annual audited financial statements and the interim financial statements respectively.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Group for audit and non-audit services for the year ended 31 December 2006 amounted to HK\$832,000 and HK\$12,000 respectively.