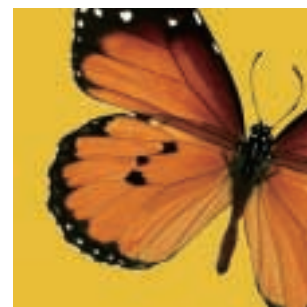


Corporate Governance Report



CORPORATE GOVERNANCE PRACTICES

The Board of Directors and senior management of the Company are committed to implement effective corporate governance policies to ensure that all decisions are made in the best interest of the Company and in accordance with the principles of transparency, fairness and integrity. Effective corporate governance policies have also been provided for the necessary checks and balances. The Company will continue to improve its corporate governance structure, so as to strengthen corporate monitoring and management to meet the expectation of its shareholders and stakeholders.

For the year under review, the Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. As confirmed by all directors after specific enquiry, they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

As at 31 December 2006, the Board comprises five executive directors, namely Mr. Yiu Ching On (Chairman), Mr. Yiu Kwok Ming, Tommy (Vice Chairman and Managing Director), Ms. Wong Kai Chun, Mr. Leung Kwok Ip and Mr. Wong Wai Man and three independent non-executive directors, namely Mr. Cheung Wing Yui, Mr. Wong Shiu Hoi, Peter and Mr. Lo Wai Kon. The independent non-executive directors are all experienced individuals from a range of industries. Their mix of skills and experience is an important element in the proper functioning of the board and in ensuring a high standard of objective debate and overall input to the decision-making process. The independent non-executive directors may seek for professional advice at the Company's expenses in carrying out their functions. Pursuant to the Listing Rules, every non-executive director has confirmed his independence with the Stock Exchange. The biographical details of all directors and their family relationship, if any, are provided on pages 8 to 9 of this annual report. The Board had arranged insurance cover for their directors.

The Board is accountable to shareholders. Its key responsibilities include the formulation of long-term business directions and strategies, monitoring of internal control, review of financial statements and approval of capital expenditures. The management is delegated with the authority to make decisions on daily operations related to the Company's business affairs. The Board reviews the performance of the management to ensure company policies are carried out properly and the business is run smoothly in the best interests of its shareholders.

Corporate Governance Report



Directors are entitled to seek independent professional advice at the Company's expense in connection with their duties and responsibilities as directors, subject to the prior consent of the Chairman.

Five full board meetings were held during the year, three of which were held through telephone conference. Meeting agendas were settled by the Chairman or Vice-Chairman to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

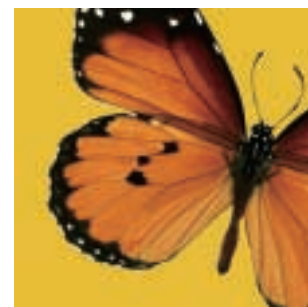
Members	Number of Board meetings attended/held	Percentage of Board meetings attended
<i>Executive directors</i>		
Mr. Yiu Ching On	4/5	80%
Mr. Yiu Kwok Ming, Tommy	4/5	80%
Ms. Wong Kai Chun	0/5	0%
Mr. Leung Kwok Ip #	1/1	100%
Mr. Wong Wai Man #	1/1	100%
<i>Independent non-executive directors</i>		
Mr. Cheung Wing Yui	4/5	80%
Mr. Wong Shiu Hoi, Peter	5/5	100%
Mr. Lo Wai Kon	5/5	100%

Mr. Leung Kwok Ip and Mr. Wong Wai Man were appointed as directors on 26 September 2006 and one of the Board meetings was held after their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The posts of Chairman and CEO are separate. There is a clear distinction between their responsibilities. The Chairman is responsible for the Company's overall business directions and coordination between the Board and the Company's management, and the CEO is responsible for the business operations and executions of decisions made by the Board.

Corporate Governance Report



TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

At every annual general meeting ("AGM"), one third of the directors (other than the Chairman and CEO but including independent non-executive directors), or the nearest number to one third, shall retire from office and be eligible for re-election. A director appointed since the most recent AGM shall hold office only until the next annual general meeting and shall then be eligible for re-election. The directors to retire each year shall be the directors longest in office since being elected or re-elected. We have appointed the independent non-executive directors at specific terms for three years commencing from 21 June 2005.

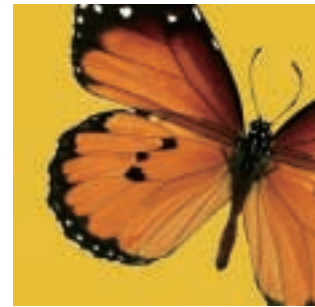
AUDIT COMMITTEE

The monitoring and assessment of certain governance matters are allocated to committees which operate under defined terms of reference and are required to report to the full board on a regular basis.

The Audit Committee is responsible for monitoring reporting, accounting, financial and control aspects of the executive management's activities. It also monitors the function of the group's external auditors. The Audit Committee presently comprises three independent non-executive directors, namely Mr. Cheung Wing Yui (Chairman of the Committee), Mr. Wong Shiu Hoi, Peter and Mr. Lo Wai Kon. Two meetings were held during the year.

Members	Number of Audit Committee meetings attended/held	Percentage of Audit Committee meetings attended
<i>Independent non-executive directors</i>		
Mr. Cheung Wing Yui	2/2	100%
Mr. Wong Shiu Hoi, Peter	2/2	100%
Mr. Lo Wai Kon	2/2	100%

Corporate Governance Report



REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises two independent non-executive directors, namely Mr. Wong Shiu Hoi, Peter (Chairman of the Committee) and Mr. Cheung Wing Yui, and one executive director, namely Mr. Yiu Kwok Ming, Tommy. During the year, one Remuneration Committee Meeting had been convened to discuss the granting of share options to certain executive directors and employees of the Group. Details about the granting of share options was set out in note 21 to the financial statements.

Members	Number of Remuneration Committee attended/held	Percentage of Remuneration Committee attended
Executive director		
Mr. Yiu Kwok Ming, Tommy	1/1	100%
Independent non-executive directors		
Mr. Wong Shiu Hoi, Peter	1/1	100%
Mr. Cheung Wing Yui	1/1	100%

FINANCIAL REPORTING

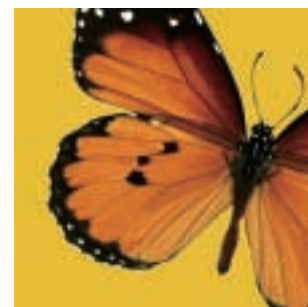
It is the responsibility of the Board to present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Board acknowledge their responsibility for the preparation of accounts which give a true and fair view. The financial statements are prepared in accordance with the requirements of the Listing Rules and other applicable regulations and industry best standards.

The responsibilities of independent external auditor to the shareholders are set out on pages 24 to 25 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Audit Department was established to evaluate the effectiveness of internal control systems and to ensure the systems can meet the Group's particular needs and the risks to which it is exposed. It also assists the Audit Committee and the Board to review the completeness, accuracy and fairness of the financial statements, though the Board is responsible for the preparation of financial statements which give a true and fair view.

Corporate Governance Report



The Board has conducted a review of the effectiveness of the system of internal control of the Group by engaging an independent accounting firm to conduct regular quarterly reviews of the internal control system together with the Internal Audit Department. The reviews have covered all material controls, including financial, operating and compliance controls, and risk management functions. Regular review reports were submitted to the Board and the Audit Committee for comments and approval. Based on all findings and conclusions deduced from the review reports, the Board considers that the internal control systems of the Group are effective and adequate.

EXTERNAL AUDITOR

The Company's independent external auditor is Horwath Hong Kong CPA Limited. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest.

During the year ended 31 December 2006, the services provided by Horwath Hong Kong CPA Limited to the Group were as follows:

	2006 HK\$'000	2005 HK\$'000
Audit		
Current year	560	463
Under-provision in previous year	78	46
Tax compliance services	13	13

COMMUNICATIONS WITH SHAREHOLDERS

The Company uses a number of formal communication channels to account to shareholders for the performance of the Company. These include the Annual Report, the Interim Report, periodic press announcements made through the Stock Exchange and through AGM. Copies of relevant corporate and financial information are also made available through the Company's website: www.ching-hing.com.hk.

The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules. The Company also welcomes comments and questions from shareholders at its AGM.