

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintain good corporate governance practices. The Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year under review, with deviations from certain Code provisions as explained below:

Under the Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A special resolution approving the relevant amendment to the articles of association (the “Articles”) of the Company to comply with Code provision A.4.2 was passed at the 2006 annual general meeting of the Company held on 29 May 2006.

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 of the Listing Rules as the code for securities transactions by directors (the “Directors”) of the Company. Having made specific enquiry of all Directors, the Company has confirmed that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2006.

Board of Directors

As at 31 December 2006, the Board comprised eight Directors, including five executive Directors and three independent non-executive Directors. The term of office for all Directors (including the independent non-executive Directors) is specified for a term of three years subject to retirement by rotation and re-election at each annual general meeting under the Articles. Biographical details of the Directors are set out in the section headed “Profile of Directors and Senior Management” on pages 20 to 23 of the annual report.

The composition of the Board, by category, is set out below:

Executive Directors:	Mr. Tai Chin Chun (<i>Chairman</i>) Mr. Tai Chin Wen Ms. Cheung So Wan Ms. Wong Siu Yuk Mr. Chong Chau Lam
Independent Non-executive Directors:	Mr. Chan Yuk Tong, Jimmy Ms. Chu Hak Ha, Mimi Mr. Ku Shiu Kuen, Anthony

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There is no relationship among members of the Board except for the family relationship between Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and their spouse are Ms. Cheung So Wan and Ms. Wong Siu Yuk respectively.

The Board has a balance of skills and various expertises to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and act in the best interests of the Group as a whole. The independent non-executive Directors exercise independent judgements and opinions on the Board's affairs through the contribution at board meetings and committee meetings. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

During the year ended 31 December 2006, the Board convened five full board meetings and the individual attendance of each Director at these meetings is set out below:

Name of Director	Attendance	Rate (%)
Executive Directors:		
Mr. Tai Chin Chun (<i>Chairman</i>)	5/5	100%
Mr. Tai Chin Wen	5/5	100%
Ms. Cheung So Wan	5/5	100%
Ms. Wong Siu Yuk	5/5	100%
Mr. Chong Chau Lam	5/5	100%
Independent Non-executive Directors:		
Mr. Chan Yuk Tong, Jimmy	5/5	100%
Ms. Chu Hak Ha, Mimi	5/5	100%
Mr. Ku Shiu Kuen, Anthony	5/5	100%

In order to enhance an active contribution to the Board's affairs by all Directors, the Chairman has arranged to convene a regular full board meeting at quarterly intervals to review the financial and operating performance of the Group. To ensure that good corporate governance practices and procedures are established, the Chairman has delegated the company secretary to draw up and approve the agenda for each board meeting. Notice of at least 14 days has been given to all Directors for a regular board meeting and the Directors can add matters for discussion in the agenda, if necessary. Draft and final minutes of all regular board meetings have been sent to the Directors for comment and records respectively within a reasonable time after the board meeting is held.

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The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules. The Board comprises of three independent non-executive Directors, which represent more than one-third of the Board. In addition, one of the independent non-executive Directors possesses the requisite appropriate professional accounting qualifications.

The Company has received from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent.

Chairman and Chief Executive Officer

The executive Directors, Mr. Tai Chin Chun and Mr. Tai Chin Wen, served as the Chairman and the Chief Executive Officer of the Company respectively. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen.

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is primarily responsible for the leadership of the Board and the formulation of overall strategic development of the Group, while the Chief Executive Officer is primarily responsible for the day-to-day management of the Group's business.

Remuneration Committee

The remuneration committee was established in September 2005. Terms of reference adopted by the remuneration committee are of no less exacting terms than those duties set out in the Code. The remuneration committee comprised three independent non-executive Directors, namely Ms. Chu Hak Ha, Mimi (Chairman), Mr. Chan Yuk Tong, Jimmy and Mr. Ku Shiu Kuen, Anthony and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company to ensure that such remuneration is reasonable and not excessive.

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During the year ended 31 December 2006, the remuneration committee convened two meetings and the individual attendance of each committee member at these meeting is set out below:

Name of Director	Notes	Attendance	Rate (%)
Independent Non-executive Directors:			
Ms. Chu Hak Ha, Mimi (<i>Chairman</i>)	(i)	2/2	100%
Mr. Chan Yuk Tong, Jimmy	(ii)	2/2	100%
Mr. Ku Shiu Kuen, Anthony		2/2	100%
Executive Directors:			
Mr. Tai Chin Chun		2/2	100%
Mr. Tai Chin Wen		2/2	100%

Notes:

- (i) Ms. Chu Hak Ha, Mimi commenced to act as the new chairman of the remuneration committee with effect from 19 December 2006.
- (ii) Mr. Chan Yuk Tong, Jimmy ceased to act as the chairman of the remuneration committee with effect from 19 December 2006.

The remuneration committee meetings were held to review and approve the salary increment for executive Directors and annual salary of executive Directors. In view that no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, the relevant executive Directors were abstained from voting on this resolution in which they were materially interested in. The amounts paid to each director for the year are shown in note 8 to the financial statements.

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Nomination Committee

The nomination committee was established in September 2005. Terms of reference adopted by the nomination committee are of no less exacting terms than those duties set out in the Code. The nomination committee comprised three independent non-executive Directors, namely Mr. Ku Shiu Kuen, Anthony (Chairman), Mr. Chan Yuk Tong, Jimmy and Ms. Chu Hak Ha, Mimi, and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

During the year ended 31 December 2006, the nomination committee convened one meeting and the individual attendance of each committee member at that meeting is set out below:

Name of Director	Notes	Attendance	Rate (%)
Independent Non-executive Directors:			
Mr. Ku Shiu Kuen, Anthony (<i>Chairman</i>)	(i)	1/1	100%
Mr. Chan Yuk Tong, Jimmy	(ii)	1/1	100%
Ms. Chu Hak Ha, Mimi		1/1	100%
Executive Directors:			
Mr. Tai Chin Chun		1/1	100%
Mr. Tai Chin Wen		1/1	100%

Notes:

- (i) Mr. Ku Shiu Kuen, Anthony commenced to act as the new chairman of the nomination committee with effect from 19 December 2006.
- (ii) Mr. Chan Yuk Tong, Jimmy ceased to act as the chairman of the nomination committee with effect from 19 December 2006.

The nomination committee meeting was held to review the structure, size and composition including the skills, knowledge and experience of the Board and concluded that the current Board comprises a sufficient number of directors and is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group.

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Auditors' Remuneration

For the year ended 31 December 2006, Ernst & Young, as the external auditors of the Company, have provided audit and non-audit services to the Group at the fee of approximately HK\$1.35 million and HK\$0.3 million, respectively.

Respective responsibilities of the Directors and the external auditors of the Company are set out in the "Independent Auditors' Report" on page 32 of this report.

Audit Committee

The audit committee was established in August 2004. Terms of reference adopted by the audit committee are of no less exacting terms than those duties set out in the Code. The audit committee comprised three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony. The audit committee is primarily responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls.

During the year ended 31 December 2006, the audit committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Attendance	Rate (%)
Independent Non-executive Directors:		
Mr. Chan Yuk Tong, Jimmy (<i>Chairman</i>)	2/2	100%
Ms. Chu Hak Ha, Mimi	2/2	100%
Mr. Ku Shiu Kuen, Anthony	2/2	100%

The audit committee meetings were held to discuss with the management and/or the external auditors the accounting policies and internal controls adopted by the Group, as well as to review the interim and annual financial statements of the Group before recommending them to the Board for adoption and approval.

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Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of the same on an annual basis.

The Group has an independent internal audit department. The independent internal audit department is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2006, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code Provisions. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. There was no significant incidence of failure in connection with financial, operational and compliance control during the year under review.

The Company has implemented a system of internal controls to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes, investment and business risks are identified and managed, the Board will continue to review procedures implemented for assessing their effectiveness of the internal control system.

Investor Relations and Communication with Shareholders

The Company establishes different communication channels with shareholders and investors, including (i) dispatching printed copies of corporate communication documents to shareholders; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) regular press conferences and meetings with investors and analysts are set up from time to time on updated information of the Group, and (iv) the Company's Registrars serve the shareholders on all share registration matters.