

Corporate Governance Report

The Company is ensuring to meet the standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining the level of business ethics and corporate governance practices.

During the year, the Company endeavours to comply with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “CG Code”). The Company considers that it has complied with the CG Code during the year. The Board continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

THE BOARD

The Board comprises eight Directors including three executive Directors, two non-executive Directors, and three independent non-executive Directors. The independent non-executive Directors possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board. The composition of the Board and the Committees of the Board are given below:

Executive Directors:

Mr. BUT Ching Pui (*Honorary Chairman*)

Mr. BUT Ka Wai (*Chairman*)

Mr. BUT Chai Tong (*Vice Chairman*)

Non-executive Directors:

Ms. LEUNG Wai Ling

Mr. NGAI Chun Kong, Stephen (*member of Audit Committee, Remuneration Committee and Nomination Committee*)

Independent non-executive Directors:

Mr. CHEUNG Yu Yan, Tommy

Mr. IP Shing Tong, Francis (*member of Audit Committee, Remuneration Committee and Nomination Committee*)

Mr. KU Siu Fung, Stephen (*member of Audit Committee, Remuneration Committee and Nomination Committee*)



The biographical details of the Directors are set out on pages 13 to 14 of this annual report.

Regular Board meetings are held at least four times a year which include two full Board meetings to approve interim and financial results and to propose interim and final dividends, if appropriate. It is also held as and when necessary to discuss significant transactions, including issuance of debt securities, material acquisitions and disposal, and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings. There were eleven Board meeting and two Audit Committee meetings held during the year ended 31 December 2006 and the individual attendance record of each Director at the meetings of the Board and the Audit Committee during the year is set out below:

Name of Directors	Attendance/Number of meetings	
	Board	Audit Committee
Mr. But Ching Pui	8/11	Not applicable
Mr. But Ka Wai	10/11	Not applicable
Mr. But Chai Tong	10/11	Not applicable
Ms. Leung Wai Ling	8/11	Not applicable
Mr. Ngai Chun Kong, Stephen	5/11	2/2
Mr. Cheung Yu Yan, Tommy	2/11	Not applicable
Mr. Ip Shing Tong, Francis	5/11	2/2
Mr. Ku Siu Fung, Stephen	5/11	2/2

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Vice Chairman and the senior management.

Mr. But Ching Pui is the husband of Ms. Leung Wai Ling who has two sons, namely, Mr. But Ka Wai (the Chairman) and Mr. But Chai Tong (the Vice Chairman). Save as aforesaid, there is no financial, business, family or other material or relevant relationship among the Directors.





All non-executive Directors (including independent non-executive Directors) of the Company have been appointed for a term of two years from the date of their appointments. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the articles of association of the Company.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and it still considers the independent non-executive Directors to be independent.

The amendments to the Articles of Association of the Company have been made to require that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all Directors appointed to fill a casual vacancy should be subject to election by the Shareholders at the first general meeting after their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The Chairman is Mr. But Ka Wai. Although there is no Chief Executive Officer, the relevant job responsibilities are taken up by the Vice Chairman, Mr. But Chai Tong. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the 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.

The Vice Chairman focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives, and risk assessment for the Board's approval.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, Mr. Ip Shing Tong, Francis (Chairman of the Audit Committee) and Mr. Ku Siu Fung, Stephen and one non-executive Director, Mr. Ngai Chun Kong, Stephen.

The main duties of the Committee are to review the financial information of the Company and oversee the Company's financial reporting system and internal control procedures.

The Audit Committee met twice and reviewed the financial results and reports, financial reporting and compliance procedures and the re-appointment of the external auditors. The Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

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.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 30 and page 31 of this annual report.

AUDITORS' REMUNERATION

HLM & Co. has been appointed as the Company's external auditor by the Directors on 18 December 2006 to fill the casual vacancy following the resignation of Messrs. HLB Hodgson Impey Cheng. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the year, the total remuneration payable to the Company's external auditor amounted to HK\$430,000 for statutory audit.





REMUNERATION COMMITTEE

The Remuneration Committee was set up on 16 September 2005, constituted by one non-executive Director and two independent non-executive Directors, namely, Mr. Ngai Chun Kong, Stephen (Chairman of the Committee), Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration packages.

NOMINATION COMMITTEE

The Nomination Committee was set up on 16 September 2005, constituted by one non-executive Director and two independent non-executive Directors, namely, Mr. Ngai Chun Kong, Stephen (Chairman of the Committee), Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen.

The Committee from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. No meeting of the Nomination Committee was held during the year. The nomination procedures basically follow Article 111 of the Articles of Association which empowers the Board from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

All newly appointed Director will be provided an induction so as to ensure that he/she has appropriate understanding of the business and operations of the Group and of the responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, each of them confirms that he/she has complied in full with the Model Code regarding Directors' securities transactions for the year ended 31 December 2006.

