

# CORPORATE GOVERNANCE REPORT

The Group is dedicated to maintain a credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices (“the Code”) contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code with the exception of code provision A.2.1 that an individual chief executive officer is not appointed during the year ended 31 December 2006. The Board considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer of the Company is not necessary. Furthermore, the Company has engaged Hua Yu as its investment manager.

## THE BOARD Composition

The Board consists of four executive directors and three independent non-executive directors (“INED(s)”). Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The names and biographical details of each director are disclosed on pages 5 to 6 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each AGM pursuant to the Bye-Laws of the Company.

## Function

The Board is responsible both for how the Company is managed and the Company’s direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

# CORPORATE GOVERNANCE REPORT

The Board held twelve regular monthly Board meetings during the year 2006. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

## Attendance of individual directors at Board meetings in 2006

<b>Number of meetings</b>	<b>20</b>
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### Executive Directors:

Mr. Mung Kin Keung (Chairman) (appointed on 9 March 2007)	0/20
Mr. Ha Wing Ho, Peter (appointed on 9 March 2007)	0/20
Mr. Leong Chi Wai (appointed on 9 March 2007)	0/20
Mr. Leung King Yue, Alex (appointed on 9 March 2007)	0/20
Mr. Zhou Chao (resigned on 9 March 2007)	6/20
Ms. Huang Song (resigned on 9 March 2007)	20/20
Mr. Phang Yul Cher Yeow (resigned on 9 March 2007)	20/20
Mr. Chu Kin Wang, Peleus (resigned on 9 March 2007)	20/20

### Non-Executive Directors:

Mr. Fong Chi Hou (resigned on 9 March 2007)	3/20
Mr. Wang Yao Dong (resigned on 9 March 2007)	3/20

### Independent Non-Executive Directors:

Mr. Chee Man Sang, Eric (appointed on 9 March 2007)	0/20
Mr. Lo Tak Kin (appointed on 9 March 2007)	0/20
Ms. Yu Tin Yan, Winnie (appointed on 9 March 2007)	0/20
Ms. Lam Lin Chu (resigned on 9 March 2007)	7/20
Mr. Liu Wing Ting, Stephen (resigned on 9 March 2007)	6/20
Ms. Tse Po Chu (resigned on 9 March 2007)	6/20

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

## BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, Remuneration Committee and Nomination Committee formed under the Board, with each performing different functions.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in year 2006:

- to review the financial statements for the year ended 31 December 2005 and for the six months ended 30 June 2006; and
- to review the effectiveness of the internal controls system.

The Audit Committee held two meetings during the year. Details of individual attendance of its members are set out in the table below:

### Attendance of individual members at Audit Committee meetings in 2006

Number of meetings	2
<b>INEDs</b>	
Liu Wing Ting, Stephen (Chairman of Audit Committee)	2/2
Lam Lin Chu	2/2
Tse Po Chu	2/2

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the directors.

Set out below is the summary of work of the Remuneration Committee done in year 2006:

- to review the remuneration policy for 2006/2007; and
- to review the remuneration of the executive directors and the INEDs.

The Remuneration Committee held one meeting during 2006. Details of individual attendance of its members are set out in the table below:

### Attendance of individual members at Remuneration Committee meetings in 2006

Number of meetings	1
Liu Wing Ting, Stephen (Chairman of Remuneration Committee)	1/1
Lam Lin Chu	1/1
Tse Po Chu	1/1
Zhou Chao	1/1

## NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

Set out below is the summary of work of Nomination Committee done in year 2006:

- to review the nomination policy for 2006/2007; and
- to review the suitability and qualifications of the executive directors, non-executive directors and the INEDs.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee held one meeting during 2006. Details of individual attendance of its members are set out in the table below:

## Attendance of individual members at Nomination Committee meetings on 2006

Number of meeting	1
Lam Lin Chu (Chairman of Nomination Committee)	1/1
Liu Wing Ting, Stephen	1/1
Tse Po Chu	1/1
Zhou Chao	1/1

## OTHER INFORMATION

Please refer to Directors' report in pages 7 to 11 for changes of directors during 2006. There was no removal of director during the year.

The Company had not established its own website. Full text of the terms of reference of Audit Committee, Remuneration Committee and Nomination Committee will be supplied upon request.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2006.

## AUDITORS' REMUNERATION

During the year, the fees paid to the Company's auditors amounted to HK\$200,000 in respect of audit services.

## SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

## DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on pages 17 to 18.