

Corporate Governance Report

The Company generally complied with the code provisions of the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the annual report, save for the few exceptions mentioned below.

Directors’ Securities Transactions

The Company has adopted the Code provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the year under review.

Board of Directors

The Directors are responsible for the leadership and control of the Company and overseeing the Group’s operation, affairs and strategic direction. The Directors also acknowledge their responsibility to prepare the financial statements which give a true and fair view.

The Directors during the year ended 31 December 2006 were:

Executive Directors

Mr. Ho Tsam Hung (*Vice Chairman*)
Mr. Ho Kam Hung (*Managing Director*)
Mr. Yang Jia Jian

Non-Executive Directors

Ms. Lam Kuo (*Chairman*)
Ms. Yeung Mo Sheung, Ann (retired on 30 August 2006)
Mr. Young Kwok Sui (re-designated from Independent Non-Executive Director on 16 March 2006)

Independent Non-Executive Directors

Mr. Wong Ting Kon (retired on 30 August 2006)
Mr. Lawrence K. Tam
Ms. Wong Miu Ting, Ivy
Mr. Wong Kui Fai (appointed on 1 December 2006)

Messrs. Ho Tsam Hung and Ho Kam Hung are brotherhood in relation. Saved for this, the Directors have no financial, business, family or other material/relevant relationship among themselves.

Corporate Governance Report

An Executive Committee has been established by the Directors pursuant to the provisions of the Bye-laws of the Company in October 2005 to implement the investment policies and decisions made by the Directors as well as to manage the corporate affairs of the Group. The Executive Committee comprises three Executive Directors as members.

In August 2006, following retirement of an Independent Non-Executive Director, the Board temporarily had two Independent Non-Executive Directors and thus failed to meet the requirements under Rule 3.10(1) of the Listing Rules which required the Company should appoint at least three Independent Non-Executive Directors. The vacancy was filled in December 2006.

During the year, the Board held 7 board meetings and the attendance of each Director is set out as follows:

Name of Directors	Attended/Eligible to Attend
Executive Directors	
Mr. Ho Tsam Hung	4/7
Mr. Ho Kam Hung	6/7
Mr. Yang Jia Jian	4/7
Non-executive Directors	
Ms. Lam Kuo	4/7
Ms. Yeung Mo Sheung, Ann	(retired on 30 August 2006) 0/5
Mr. Young Kwok Sui	(re-designated from Independent Non-Executive Director on 16 March 2006) 6/7
Independent Non-executive Directors	
Mr. Wong Ting Kon	(retired on 30 August 2006) 1/5
Mr. Lawrence K. Tam	6/7
Ms. Wong Miu Ting, Ivy	6/7
Mr. Wong Kui Fai	(appointed on 1 December 2006) 0/0

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In order to comply with this provision by spirit, Ms. Lam Kuo, the Non-Executive Director, remained to act as the Non-Executive Chairman and Mr. Ho Kam Hung remained to act as the Managing Director during the year.

Corporate Governance Report

Non-Executive Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Non-Executive Directors were offered a specific term of one year and were subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of its Independent Non-Executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all Independent Non-Executive Directors are independent.

Remuneration Committee

The Remuneration Committee of the Company was established in December 2005. The members of the Remuneration Committee are three Independent Non-Executive Directors, Mr. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai, and one Executive Director, Mr. Ho Kam Hung.

The responsibilities of the Remuneration Committee include determining remuneration policy for all remuneration of Directors and senior management and reviewing the remuneration package including performance-based remuneration.

Nomination Committee

The Company did not set up a Nomination Committee during the year. However, the Board would consider such set up should circumstances necessitate.

Appointment and Re-election of Directors

Code A.4.2. stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

However, both the Chairman and the Managing Director had voluntarily retired and offered themselves for re-election at the Company's general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code's practice.

Corporate Governance Report

Audit Committee

The present members of the Audit Committee are three Independent Non-executive Directors, Mr. Wong Kui Fai, Mr. Lawrence K. Tam and Ms. Wong Miu Ting, Ivy and one Non-Executive Director, Mr. Young Kwok Sui. During the year, the Audit Committee held two meetings.

The attendance of the Audit Committee members at the audit committee meetings during the year was as follows:

Directors	Attended/Eligible to Attend
Mr. Young Kwok Sui	1/2
Mr. Wong Ting Kon (retired on 30 August 2006)	1/1
Ms. Wong Miu Ting, Ivy	2/2
Mr. Lawrence K. Tam	2/2
Mr. Wong Kui Fai (appointed on 1 December 2006)	0/0

The responsibilities of the Audit Committee include reviewing the financial information of the Company and overseeing the Company's financial reporting system and internal control procedures.

During the year, the Audit Committee reviewed the audited financial statements for 2005 and the interim financial statements for 2006 and met with the auditors and the management to discuss issues arising from the audit of the financial statements.

Auditors' Remuneration

During the year, the remuneration paid to the Company's auditors, Ernst and Young, was set out below:

	<i>HK\$'000</i>
Services rendered	
– audit services	1,180
– non-audit services	
Preparation of accountants' report for inclusion in a circular to shareholders in respect of a major transaction	315
	<u>1,495</u>