



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance and has adopted measures to ensure that standard of corporate governance is maintained. The Board believes that an adequate standard of corporate governance is important and constructive in balancing the interests of different stakeholders and in upholding accountability and transparency.

The Company has adopted the code provisions as set out in the Code of Corporate Governance Practices (“the CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“The Exchange”) as its own code of corporate governance practices. In the opinion of the Board, the Company has complied with the requirements of the code provisions of the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“the Model Code”) as set out in Appendix 10 of the Listing Rules. All the directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

As at 31st December, 2006, the Board consists of 6 directors including 3 executive directors and 3 independent non-executive directors (“INEDs”).

Set out below is a summary of the compositions of the Board and its various committees, together with the number of meetings held and the attendance records of individual members during the year:

	Board Meetings attended/ held	Audit Committee		Remuneration Committee		Nomination Committee	
		Member	Meetings attended/ held	Member	Meetings attended/ held	Member	Meetings attended/ held
<i>Executive</i>							
Mr Rustom Ming Yu HO	3/4	No	–	No	–	Yes	0/0
Mr John Ming Tak HO	4/4	No	–	Yes	1/1	Chairman	0/0
Mr Patrick Kwok Wai Poon (appointed on 20th April 2006)	4/4	No	–	No	–	No	–
<i>Non-executive</i>							
Mr Chui Yi CHIU*	1/1	No	–	No	–	No	–
<i>Independent Non-executive</i>							
Mr Lawrence Kam Kee YU	4/4	Yes	3/4	Chairman	1/1	Yes	0/0
Mr David Hon To YU	4/4	Chairman	4/4	Yes	1/1	Yes	0/0
Mr Hsu Chou WU	3/4	Yes	2/4	No	–	Yes	0/0

* resigned on 30th May, 2006



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Mr John Ming Tak HO is a brother of Mr Rustom Ming Yu HO.

The Board is responsible for strategic and policy decisions, whilst the management is delegated with operating decisions in respect of the normal day to day operations of the Group. It is the responsibility of the Board to prepare the financial statements of the Company and the consolidated financial statements of the Group.

CHAIRMAN AND MANAGING DIRECTOR

Mr Rustom Ming Yu HO is the Chairman of the Group and Mr John Ming Tak HO is the Managing Director. The roles of the Chairman and Managing Director are segregated and are not exercised by the same individual. The division of responsibilities between the Chairman and the Managing Director has been clearly established and set out in writing.

NON-EXECUTIVE DIRECTORS (including INEDs)

The Group's non-executive directors are appointed for the term of office for the period up to his retirement by rotation according to provisions in the Articles of Association of the Company.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board is of the opinion that all independent non-executive directors are independent.

REMUNERATION COMMITTEE

It is the Group's policy to maintain a level of remuneration competitive enough to attract, retain and motivate directors and senior management to run and develop the Group's businesses with a view to maximizing the long-term profitability of the Group. Remuneration of individual directors is determined with reference to the prevailing market rates, the responsibilities undertaken, the time committed and the calibre of the director.

The Group established a Remuneration Committee in April 2005 with specific written Terms of Reference which deal clearly with its authority and duties. The major responsibilities of the Remuneration Committee include making recommendations to the Board regarding the Group's remuneration policy, and formulating and reviewing the specific remuneration packages of all directors of the Group.

During the year, the Remuneration Committee considered the desirability of introducing into the Group a performance-based remuneration system and review the Group's remuneration policies. The Committee also reviewed and approved the remuneration packages of executive directors for the year. Further details of the directors' remuneration are set out in note 13 to the consolidated financial statements.



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NOMINATION COMMITTEE

The Group established a Nomination Committee in April 2005 with specific written Terms of Reference which deal clearly with its authority and duties. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior management of the Group, and monitoring the overall adequacy of the Board's composition.

Since its inception in April 2005, the committee held one meeting in December 2005 nominated Mr Patrick Kwok Wai POON as executive director of the Company. Mr. Poon was appointed as executive director by the Board on 20th April, 2006.

AUDITORS' REMUNERATION

The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the shareholders is included in this annual report. The remuneration paid by the Company to its auditors, PricewaterhouseCoopers, during the year amounted to HK\$900,000, the whole of which was incurred exclusively for the audit services provided by PricewaterhouseCoopers.

AUDIT COMMITTEE

The major responsibilities of the Audit Committee include reviewing the Group's annual and interim reports before submitting to the Board, and meeting with the external auditors to discuss any issue that the external auditors or the Committee members may wish to bring out.

During the year, the Audit Committee reviewed the Group's 2005 annual and 2006 interim reports, discussed and revised its Terms of Reference, and made recommendations on possible improvements on the Group's documentation of its internal control procedures.

The Group's consolidated financial statements for the year ended 31st December, 2006 have been reviewed by the Audit Committee.

During the year, the audit committee assisted the board in fulfilling the corporate governance responsibilities to review the Group's internal control structure, risk management system, internal and external audit function.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and an effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.