

# CORPORATE GOVERNANCE REPORT

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) throughout the year ended 31st December, 2006.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
<b>A.</b>	<b>Directors</b>		

## A.1 The Board

*Corporate Governance Principle*

*The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs.*

A.1.1	Regular board meetings at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors	√	<ul style="list-style-type: none"> <li>The Board meets regularly and held meetings in March, May, August and November 2006.</li> <li>Details of Directors’ attendance records in 2006:</li> </ul> <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>LI Tzar Kuoi, Victor (Chairman)</td> <td>3/4</td> </tr> <tr> <td>KAM Hing Lam (Group Managing Director)</td> <td>4/4</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td>4/4</td> </tr> <tr> <td>FOK Kin Ning, Canning</td> <td>2/4</td> </tr> <tr> <td>KWAN Bing Sing, Eric*</td> <td>3/4</td> </tr> <tr> <td>Andrew John HUNTER**</td> <td>N/A</td> </tr> <tr> <td>CHOW WOO Mo Fong, Susan</td> <td>3/4</td> </tr> <tr> <td>Frank John SIXT</td> <td>3/4</td> </tr> <tr> <td>TSO Kai Sum</td> <td>4/4</td> </tr> </tbody> </table>	Members of the Board	Attendance	Executive Directors		LI Tzar Kuoi, Victor (Chairman)	3/4	KAM Hing Lam (Group Managing Director)	4/4	IP Tak Chuen, Edmond	4/4	FOK Kin Ning, Canning	2/4	KWAN Bing Sing, Eric*	3/4	Andrew John HUNTER**	N/A	CHOW WOO Mo Fong, Susan	3/4	Frank John SIXT	3/4	TSO Kai Sum	4/4
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A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	√	<ul style="list-style-type: none"> <li>All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.</li> </ul>																						

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.3	<ul style="list-style-type: none"> <li>- At least 14 days notice for regular board meetings</li> <li>- Reasonable notice for other board meetings</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Regular Board meetings of a particular year are usually scheduled towards the end of the preceding year to give all Directors adequate time to plan their schedules to attend.</li> <li>• At least 14 days formal notice would be given before each regular meeting.</li> </ul>
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	√	<ul style="list-style-type: none"> <li>• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures are followed.</li> <li>• Memos are issued to Directors, from time to time on updating of legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.</li> </ul>
A.1.5	<ul style="list-style-type: none"> <li>- Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.</li> <li>- Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.</li> <li>• Board minutes/resolutions are sent to all Directors within a reasonable time (generally within 14 days) after each Board and Board Committee meeting.</li> <li>• Board minutes/resolutions are available for inspection by Directors/Board Committee members.</li> </ul>

# CORPORATE GOVERNANCE REPORT

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A.1.6	<ul style="list-style-type: none"> <li>- Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.</li> <li>- Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.</li> <li>• Directors are given an opportunity to comment on draft Board minutes.</li> <li>• Final version of Board minutes is placed on record within a reasonable time after the Board meeting.</li> </ul>
A.1.7	<ul style="list-style-type: none"> <li>- A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense</li> <li>- The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.8	<ul style="list-style-type: none"> <li>- If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.</li> <li>- Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.</li> <li>• Director must declare his/her interest in the matters to be passed in the resolution, if applicable.</li> <li>• If a substantial shareholder or a Director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.</li> </ul>

## A.2 Chairman and Chief Executive Officer

### *Corporate Governance Principle*

*There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.*

A.2.1	<ul style="list-style-type: none"> <li>- Separate roles of chairman and chief executive officer not to be performed by the same individual</li> <li>- Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals.</li> <li>• The Chairman determines the broad strategic direction of the Group in consultation with the full Board and is responsible for macro high-level oversight of management.</li> <li>• The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.</li> </ul>
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A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	<ul style="list-style-type: none"> <li>With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.</li> <li>In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors in May and November 2006. Details of the attendance records of the meetings are as follows: <table border="1"> <thead> <tr> <th colspan="2">Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Chairman</td> </tr> <tr> <td>LI Tzar Kuoi, Victor</td> <td>2/2</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>2/2</td> </tr> <tr> <td colspan="2">Non-executive Directors</td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td>2/2</td> </tr> <tr> <td>Barrie COOK</td> <td>2/2</td> </tr> <tr> <td>George Colin MAGNUS</td> <td>2/2</td> </tr> </tbody> </table> </li> </ul> <p>Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) can attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.</p>	Attendance		Chairman		LI Tzar Kuoi, Victor	2/2	Independent Non-executive Directors		CHEONG Ying Chew, Henry	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	Colin Stevens RUSSEL	2/2	LAN Hong Tsung, David	2/2	Non-executive Directors		LEE Pui Ling, Angelina	2/2	Barrie COOK	2/2	George Colin MAGNUS	2/2
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A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	√	<ul style="list-style-type: none"> <li>The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings.</li> <li>Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.</li> </ul>

### A.3 Board composition

#### *Corporate Governance Principle*

*The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*

A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	<ul style="list-style-type: none"> <li>The composition of the Board, by category and position of Directors including names of Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors, is disclosed in all corporate communications.</li> <li>The Board consists of a total of seventeen Directors, comprising nine Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.</li> </ul>
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# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3.1 (Cont'd)			<ul style="list-style-type: none"> <li>• Details of the composition of the Board are set out on page 174.</li> <li>• The Directors' biographical information and the relationships among the Directors are set out on pages 38 to 43.</li> <li>• Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.</li> </ul>

## A.4 Appointments, re-election and removal

### *Corporate Governance Principle*

*There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*

A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	√	<ul style="list-style-type: none"> <li>• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.</li> </ul>
A.4.2	<ul style="list-style-type: none"> <li>- All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.</li> <li>- Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the first annual general meeting following their appointment.</li> <li>• On the basis that the proposed amendment to the Company's Bye-laws is approved at the forthcoming 2007 annual general meeting, Directors appointed to fill a casual vacancy will be subject to election by shareholders at the first general meeting after their appointment.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4.2 (Cont'd)			<ul style="list-style-type: none"> <li>• The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any such new Director shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the same annual general meeting.</li> <li>• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.</li> <li>• The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules.</li> <li>• Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
<b>A.5</b>	<b>Responsibilities of directors</b>		
	<p><i>Corporate Governance Principle</i></p> <p><i>Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.</i></p>		
A.5.1	<ul style="list-style-type: none"> <li>- Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary.</li> <li>- To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Director with the duties and responsibilities as a Director of the Company and the business operation of the Company.</li> <li>• A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors was forwarded to each Director during the year for his/her information and ready reference.</li> <li>• Memos are issued from time to time to the Directors on updating of legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.</li> <li>• During the year, seminars were organised at which distinguished professionals were invited to present to the Directors on subjects such as duties and responsibilities of directors and its trends, corporate governance practices and its development and the way forward, etc. The attendance rate was more than 80 per cent.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2	<p>The functions of non-executive directors include:</p> <ul style="list-style-type: none"> <li>- independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings</li> <li>- take the lead on potential conflicts of interests</li> <li>- serve on the audit, remuneration, nomination and other governance committees, if invited</li> <li>- scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• Non-executive Directors exercise their independent judgment and advise on the future business direction and strategic plans of the Company.</li> <li>• Non-executive Directors review the financial information and operational performance of the Company on a regular basis.</li> <li>• Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.</li> </ul>
A.5.3	<p>Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.</p>	<p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 for details of attendance records.</li> <li>• Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.</li> </ul>

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A.5.4	<ul style="list-style-type: none"> <li>- Directors must comply with the Model Code.</li> <li>- Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• The Company has adopted the model code for securities transactions by directors of listed issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions, effective 31st March, 2004.</li> <li>• Confirmation has been sought from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2006.</li> <li>• Written guidelines of no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.</li> </ul>

## A.6 Supply of and access to information

### *Corporate Governance Principle*

*Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*

A.6.1	<ul style="list-style-type: none"> <li>- Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting</li> <li>- So far as practicable for other board or board committee meetings</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Board papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors to make informed decisions on matters to be raised at the Board/Board Committee meetings.</li> </ul>
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Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.2	<ul style="list-style-type: none"> <li>- Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions.</li> <li>- The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• The Company Secretary and the Qualified Accountant attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters.</li> <li>• Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.</li> </ul>
A.6.3	<ul style="list-style-type: none"> <li>- All directors are entitled to have access to board papers and related materials.</li> <li>- Steps must be taken to respond as promptly and fully as possible to queries raised by directors.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Please see A.6.2 above.</li> </ul>

## **B. Remuneration of Directors and Senior Management**

### **B.1 The level and make-up of remuneration and disclosure**

#### *Corporate Governance Principle*

*There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*

B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors.	√	<ul style="list-style-type: none"> <li>• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors.</li> <li>• The Company established its Remuneration Committee on 1st January, 2005.</li> </ul>
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B.1.1 (Cont'd)			<ul style="list-style-type: none"> <li>The existing Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry.</li> <li>Since the publication of the Company's 2005 annual report, meetings of the Remuneration Committee were held in November 2006 and January 2007. Details of the attendance records of the members of the Remuneration Committee are as follows: <table border="1"> <thead> <tr> <th>Members of the Remuneration Committee</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>LI Tzar Kuoi, Victor (Chairman of the Remuneration Committee)</td> <td>2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>2/2</td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>2/2</td> </tr> </tbody> </table> <p>Note: The members of the Remuneration Committee can attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.</p> </li> <li>The following is a summary of the work for the Remuneration Committee during the said meetings: <ol style="list-style-type: none"> <li>Review of the remuneration policy for 2006/2007;</li> <li>Review of the remuneration of Non-executive Directors; and</li> <li>Review of the annual performance bonus policy.</li> </ol> </li> </ul>	Members of the Remuneration Committee	Attendance	LI Tzar Kuoi, Victor (Chairman of the Remuneration Committee)	2/2	Colin Stevens RUSSEL	2/2	CHEONG Ying Chew, Henry	2/2
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CHEONG Ying Chew, Henry	2/2										

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.2	<p>The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.</p>	√	<ul style="list-style-type: none"> <li>• The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.</li> <li>• The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.</li> <li>• To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.</li> </ul>
B.1.3	<p>Terms of reference of the remuneration committee include:</p> <ul style="list-style-type: none"> <li>- determine specific remuneration packages of all executive directors and senior management</li> <li>- review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment</li> <li>- ensure that no director or any of his associates is involved in deciding his own remuneration</li> </ul>	√	<ul style="list-style-type: none"> <li>• The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	<ul style="list-style-type: none"> <li>The terms of reference of the Remuneration Committee are posted on the Company's website.</li> <li>The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.</li> </ul>
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	<ul style="list-style-type: none"> <li>The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.</li> </ul>

## C. Accountability and Audit

### C.1 Financial reporting

*Corporate Governance Principle*

*The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*

C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	√	<ul style="list-style-type: none"> <li>Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.</li> </ul>
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Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.2	<ul style="list-style-type: none"> <li>- The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.</li> <li>- There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.</li> <li>- Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.</li> <li>- When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">N/A</p>	<ul style="list-style-type: none"> <li>• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group.</li> <li>• Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices.</li> <li>• With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.</li> <li>• The Directors also ensure the publication of the financial statements of the Group is in a timely manner.</li> <li>• The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 102.</li> </ul>
C.1.3	<p>The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.</p>	√	<ul style="list-style-type: none"> <li>• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications.</li> <li>• The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.</li> </ul>



Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			<ul style="list-style-type: none"> <li>• There are defined organisational structures and authority to operate various business units is delegated to respective managements within limits set by the Executive Directors.</li> <li>• The Head Office management has established operating and management reporting standards for use by all business units. Each business unit also has its own operating policies and procedures that are tailor-made to specific operational environment.</li> <li>• Individual business unit needs to prepare five-year plans which form the foundation of annual budgets and plans. All these plans/budgets have to be approved by the Executive Directors. Monitoring the actual results against the budgets are done monthly via the Executives' and management meetings at the Group and business unit levels, and appropriate actions are taken, if necessary.</li> <li>• Each business unit has to perform risk assessment half-yearly where the risks associated with achieving the business objectives are identified and analysed. It also includes a review of the control mechanism for each risk and action plan is put in place to address the areas for improvement.</li> <li>• The Chief Executive Officer and Chief Financial Officer of each business unit need to provide a formal half-yearly confirmation to acknowledge review of their control systems and highlight any weaknesses.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			<ul style="list-style-type: none"> <li>The Group Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with greatest perceived risks. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions.</li> <li>Reports from the external auditors, Deloitte Touche Tohmatsu ("Deloitte"), on internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.</li> </ul> <p><i>Effectiveness of Internal Control System</i></p> <ul style="list-style-type: none"> <li>The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			<p data-bbox="943 483 1369 510"><i>Controls on Price-sensitive Information</i></p> <ul data-bbox="943 539 1444 1256" style="list-style-type: none"> <li data-bbox="943 539 1444 645">• Regarding the procedures and internal controls for handling and dissemination of price-sensitive information, the Group:               <ol data-bbox="967 674 1444 1256" style="list-style-type: none"> <li data-bbox="967 674 1444 779">(1) is well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive;</li> <li data-bbox="967 808 1444 913">(2) makes reference to the “Guide on Disclosure of Price-sensitive Information” issued by the Stock Exchange in 2002;</li> <li data-bbox="967 943 1444 1093">(3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential and sensitive information, and has communicated to all staff; and</li> <li data-bbox="967 1122 1444 1256">(4) requires that only Directors and delegated officers can act as the Group’s spokesperson and respond to external enquiries about the Group’s affairs.</li> </ol> </li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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## C.3 Audit Committee

### Corporate Governance Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices												
C.3.1	<ul style="list-style-type: none"> <li>- Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.</li> <li>- Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.</li> <li>• Audit Committee meetings were held in March and August 2006. Details of the attendance record of the members of the Audit Committee are as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Members of the Audit Committee</th> <th style="text-align: right;">Attendance</th> </tr> </thead> <tbody> <tr> <td>CHEONG Ying Chew, Henry (Chairman of the Audit Committee)</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL*</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> <p>Note: * Appointed as Chairman of the Audit Committee effective on 1st January, 2007.</p> </li> <li>• The members of the Audit Committee can attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.</li> </ul>	Members of the Audit Committee	Attendance	CHEONG Ying Chew, Henry (Chairman of the Audit Committee)	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	Colin Stevens RUSSEL*	2/2	LAN Hong Tsung, David	2/2
Members of the Audit Committee	Attendance														
CHEONG Ying Chew, Henry (Chairman of the Audit Committee)	2/2														
KWOK Eva Lee	2/2														
SNG Sow-mei alias POON Sow Mei	2/2														
Colin Stevens RUSSEL*	2/2														
LAN Hong Tsung, David	2/2														

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			<ul style="list-style-type: none"> <li>• The following is a summary of the work of the Audit Committee during 2006:               <ol style="list-style-type: none"> <li>(1) Review of the financial reports for 2005 annual results and 2006 interim results;</li> <li>(2) Review of the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies;</li> <li>(3) Review of the effectiveness of the internal control system;</li> <li>(4) Review of the external auditors' audit findings;</li> <li>(5) Review of the auditors' remuneration.</li> <li>(6) Review of risks of different business units and analysis thereof provided by the relevant business units; and</li> <li>(7) Review of the control mechanisms for such risks and advising on action plans for improvement of the situations.</li> </ol> </li> <li>• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 13th March, 2007 that the system of internal controls was adequate and effective.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			<ul style="list-style-type: none"> <li>On 13th March, 2007, the Audit Committee met to review the Group's 2006 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. After review and discussions with the management, internal auditors and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2006 Annual Report complies with the applicable accounting standards and Appendix 16 of the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2006.</li> <li>The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditors for 2007 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2007 annual general meeting.</li> <li>The Group's Annual Report for the year ended 31st December, 2006 has been reviewed by the Audit Committee.</li> </ul>
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	√	<ul style="list-style-type: none"> <li>No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.3	<p>Terms of reference of the audit committee include:</p> <ul style="list-style-type: none"> <li>- recommendation to the board on the appointment and removal of external auditors and approval of their terms of engagement</li> <li>- review and monitor external auditors' independence and effectiveness of audit process</li> <li>- review of financial information of the company</li> <li>- oversight of the company's financial reporting system and internal control procedures</li> </ul>	√	<ul style="list-style-type: none"> <li>• Terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.</li> </ul>
C.3.4	<p>The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p>	√	<ul style="list-style-type: none"> <li>• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants).</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4 (Cont'd)			<ul style="list-style-type: none"> <li>• In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1st January, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices. The revised terms of reference of the Audit Committee are available on the Company's website.</li> <li>• The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment.</li> <li>• The existing Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The Audit Committee also comprising five Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David, during 2006, held two meetings during the year.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	<ul style="list-style-type: none"> <li>The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditors for 2007.</li> <li>For the year ended 31st December, 2006, the external auditors of the Company received approximately HK\$4.3 million for annual audit service, approximately HK\$0.5 million for audit-related services rendered in connection with acquisitions and disposals of certain investments of the Group, and approximately HK\$4.4 million for tax and other non-audit services.</li> </ul>
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	<ul style="list-style-type: none"> <li>The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by such Directors.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
<b>D.</b>	<b>Delegation by the Board</b>		
<b>D.1</b>	<b>Management functions</b>		
	<p><i>Corporate Governance Principle</i></p> <p><i>The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.</i></p>		
D.1.1	<p>When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.</p>	√	<ul style="list-style-type: none"> <li>Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise.</li> <li>Please refer to the Management Structure Chart as set out on page 101.</li> <li>For matters or transactions of a material nature, the same will be referred to the Board for approval.</li> <li>For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.</li> </ul>
D.1.2	<p>Formalise functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.</p>	√	<ul style="list-style-type: none"> <li>The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature.</li> <li>Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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## D.2 Board Committees

*Corporate Governance Principle*

*Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*

D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	<ul style="list-style-type: none"> <li>• Three Board Committees, i.e. Audit Committee, Remuneration Committee and Executive Committee have been established with specific terms of reference.</li> </ul>
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	<ul style="list-style-type: none"> <li>• Board Committees report to the Board of their decisions and recommendations at Board meetings.</li> </ul>

## E. Communication with Shareholders

### E.1 Effective communication

*Corporate Governance Principle*

*The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*

E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	√	<ul style="list-style-type: none"> <li>• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual directors.</li> </ul>
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Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
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## E.2 Voting by Poll

### *Corporate Governance Principle*

*The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.*

E.2.1	- The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll.	√	<ul style="list-style-type: none"> <li>• In 2006, the right to demand a poll was set out in the circular containing the notice of annual general meeting.</li> <li>• In 2006, the Chairman of the general meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.</li> </ul>
	- The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.	√	
	- If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	√	

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2.2	<ul style="list-style-type: none"> <li>- The company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.</li> <li>- The company should ensure that votes cast are properly counted and recorded.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• Representatives of the Branch Share Registrars of the Company were appointed as scrutineers to monitor and count the poll votes casted at the annual general meeting.</li> <li>• Poll results were announced at the adjourned meeting, posted on the websites of the Company and the Stock Exchange, and also published in Hong Kong newspapers on the business day following the annual general meeting of the Company.</li> </ul>
E.2.3	<p>The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:</p> <ul style="list-style-type: none"> <li>- the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and</li> <li>- the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>• At the 2006 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, which had also been set out in the circular containing the notice of annual general meeting, and then answered any questions from shareholders.</li> <li>• At the 2006 annual general meeting, the Chairman of the meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.</li> </ul>

## Management Structure Chart

