

Corporate Governance Report

The Board of Directors (the “Board”) recognises the importance of and is committed to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company’s shareholders.

The Company has complied with the Code on Corporate Governance Practices (“CG 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”) during the year, save for deviation from Codes A4.1.

- The Non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company 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.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors’ Securities Transactions.

BOARD OF DIRECTORS

The composition of the Board is set out on page 12 of this Annual Report.

To the best knowledge of the Company, there is no financial, business and family relationship among the Board as at 31 December 2006.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the first general meeting after their appointment and shall be eligible for re-election.

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 Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Company’s position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements.

The responsibilities of the external auditors with respect to financial reporting are set out in the section of “Independent Auditor’s Report” on page 19.

CORPORATE GOVERNANCE REPORT

The Board held 4 meetings during the 2006 financial year. Attendance of individual Directors at Board meetings was as follow:

Name of directors	Attendance
Mr. Xiang Xin	4/4
Mr. Chan Cheong Yee	4/4
Mr. Kwok Chi Hung	3/4
Mr. Ng Tin Sang	3/4
Mr. Si Wei	(resigned on 2 May 2006) 0/1
Mr. Lin Zhiqun Brett	(appointed on 2 May 2006) 3/4
Mr. Wang Qing Yu	1/4
Mr. Yap Shun Chung	(resigned on 13 November 2006) 1/3
Mr. Ng Kwong Chue Paul	4/4
Mr. David Wang Xin	1/4
Mr. Zang Hong Liang	1/4
Mr. Wong Wang Tai	(resigned on 23 September 2006) 1/3
Mr. Lee Wing Hang	(appointed on 22 December 2006) 0/1

All Independent Non-executive Directors are financially independent from the Company. The Company confirmed with all Independent Non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer of the Company are Mr. Wang Qing Yu and Mr. Chung Ho respectively.

The Board recognises power is not concentrated in any one individual both on the management of the board and the day-to-day management of the Company's business. In order to meet this aim, the responsibilities between the Chairman and Chief Executive Officer are separate.

The Chairman is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner.

The Chief Executive Officer is responsible for running the Company's business, and implementation of the Company's strategy in achieving the overall commercial objectives.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr David Wang Xin, Mr Zang Hong Liang and Mr Lee Wing Hang.

Mr David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met twice during the year and the respective attendance at such meeting was:

Name of Director	Attendance
Mr. David Wang Xin	2/2
Mr. Zang Hong Liang	2/2
Mr. Wong Wang Tai (resigned on 23 September 2006)	1/1
Mr. Lee Wing Hang (appointed on 22 December 2006)	0/1

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendation as to the approval of the Company's interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half year results for the period ended 30 June 2006 and the annual results for the year ended 31 December 2006 of the Company before announcement of both results.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established during the year with terms of reference as set out in the CG Code. The Remuneration Committee consists of three Independent Non-executive Directors. As at the date of this report, the members of the Remuneration Committee are as follows:

Mr David Wang Xin (*Chairman*)
 Mr Zang Hong Liang
 Mr Lee Wing Hang

The principal duties of the Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive directors; and determination of the remuneration of executive directors and members of the senior management. No meeting of the Remuneration Committee was held during the year ended 31 December 2006. The first meeting of the Remuneration Committee was held on 2 April 2007 to review the Company's policy and structure for all remuneration of directors and senior management.

INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised 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 of applicable laws, rules or regulations. However, such a system is designed to manage the Company's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. According, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Company's assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Graham H.Y. Chan & Co., is set out as follow:

	Fee Paid/Payable <i>HK\$</i>
Audit fee for the year	70,000
Other professional services	26,500
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	96,500