

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except that the non-executive directors are not appointed for a specific term. According to the Company’s bye-laws, the non-executive directors are subject to re-election once every three years.

THE BOARD

During the year and up to the date of this report, the board comprises the following members:

Executive Directors	:	Tsui Tsin Tong (Honorary Chairman) Lam Ting Ball, Paul (Chairman) Tsui Ho Chuen, Philip (Executive Deputy Chairman) Tsui Yam Tong, Terry (Managing Director) Wong Chi Keung, Alvin (<i>appointed on 1 August 2006</i>)
Non-executive Directors	:	Hung Ting Ho, Richard Zhang Yulin (<i>appointed on 11 December 2006</i>) Ko Sheung Chi (<i>appointed on 1 February 2007</i>)
Independent Non-executive Directors	:	Sir David Akers-Jones (Deputy Chairman) Lau Wong Fat (<i>resigned on 19 April 2006</i>) Li Hui Yan (<i>resigned on 1 February 2007</i>) Danny T Wong Chan Wa Shek (<i>appointed on 1 February 2007</i>) Steven Chow (<i>appointed on 1 February 2007</i>)

The biographical details of the directors and the relationships among them are set out in the “Biographies of directors and senior management” on pages 20 to 22.

The role of the Chairman is separate from that of the Managing Director. Their respective responsibilities are clearly established and set out in writing. The Chairman is responsible for ensuring that the board is functioning effectively with good corporate governance practices and procedures; whilst the Managing Director is responsible for managing the Group’s businesses including implementation of major strategies and initiatives set by the board.

THE BOARD (continued)

The non-executive directors (the majority of whom are independent) have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has four independent non-executive directors which represent one-third of the board and one independent non-executive director possesses appropriate professional accounting qualifications or financial management expertise. 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers that all independent non-executive directors are independent.

The board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on directors' appointment or re-appointment and other significant operational and financial matters. The board has delegated the day-to-day operations of the Group to management under the leadership of the Managing Director.

The board meets regularly to discuss and review the Group's overall strategy as well as the operation and financial performance of the Group. During the year, twelve board meetings (of which four were regular meetings) and two resolutions in writing in lieu of meeting were held and passed respectively and the individual attendance or participation of each director is set out below:

	Number of board meetings (comprising four regular meetings) attended/held	Number of resolutions in writing in lieu of meeting consented/passed
Executive Directors		
Tsui Tsin Tong	8/12	2/2
Lam Ting Ball, Paul	12/12	2/2
Tsui Ho Chuen, Philip	11/12	2/2
Tsui Yam Tong, Terry	11/12	2/2
Wong Chi Keung, Alvin (<i>appointed on 1 August 2006</i>)	6/12	1/2
Non-executive Directors		
Hung Ting Ho, Richard	4/12	2/2
Zhang Yulin (<i>appointed on 11 December 2006</i>)	0/12	0/2
Independent Non-executive Directors		
Sir David Akers-Jones	4/12	2/2
Lau Wong Fat (<i>resigned on 19 April 2006</i>)	0/12	0/2
Li Hui Yan (<i>resigned on 1 February 2007</i>)	4/12	2/2
Danny T Wong	4/12	2/2

THE BOARD (continued)

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular board meeting is given to all directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying board papers are sent to all directors at least 3 days before the date of a regular board meeting (and so far as practicable for such other board meetings). Draft and final versions of minutes of regular board meetings are circulated to all directors for their comment and records respectively. All directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for the directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The board is responsible for the appointment of directors and will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the executive directors when considering new director appointments. During the year, based on the recommendation of the executive directors, the board approved the appointment of Mr. Wong Chi Keung, Alvin as executive director and Mr. Zhang Yulin as non-executive director at a regular board meeting attended by all directors save for Mr. Tsui Tsin Tong and by a resolution in writing signed by all directors respectively.

All directors appointed by the board are subject to re-election at the first general meeting after their appointment. Every director (including the non-executive directors) is required to be re-elected once every three years at annual general meeting pursuant to the Company's bye-laws.

BOARD COMMITTEES

The board has established the following committees with defined terms of reference (available to the shareholders upon request), which are of no less exacting terms than those set out in the code provisions of the CG Code: the audit committee and the remuneration committee.

BOARD COMMITTEES (continued)**Audit Committee**

During the year, the audit committee consisted of three independent non-executive directors: Sir David Akers-Jones (Chairman), Messrs. Li Hui Yan and Danny T Wong. Following the resignation of Mr. Li Hui Yan on 1 February 2007, Mr. Chan Wa Shek (an independent non-executive director) was invited to sit on the audit committee.

The audit committee met twice in 2006 (with full attendance) to review with the qualified accountant and the external auditors the reporting of financial and other information to the shareholders (including the 2005 annual results and 2006 interim results before recommending them to the board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process and the internal control system of the Group. The audit committee also keeps under review the independence and objectivity of the external auditors. In April 2006, a policy on the engagement of the external auditors to provide non-audit services was established in writing.

Remuneration Committee

During the year, the remuneration committee comprised two independent non-executive directors and one executive director: Sir David Akers-Jones (Chairman), Messrs. Li Hui Yan and Lam Ting Ball, Paul. Following the resignation of Mr. Li Hui Yan on 1 February 2007, Mr. Chan Wa Shek (an independent non-executive director) was invited to sit on the remuneration committee.

The remuneration committee met once in 2006 (with full attendance) to review the remuneration policy for the directors and senior management of the Group and the remuneration packages of the executive directors and the non-executive directors.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors (save for the directors appointed after 31 December 2006) confirmed they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2006 or during the period from their appointment to 31 December 2006 (as for the directors appointed during 2006).

The Company has also established and adopted the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

EXTERNAL AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Fee paid/payable
	HK\$
Audit services	1,750,000
Non-audit services	219,200
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	1,969,200
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The non-audit services rendered by the external auditors included: a review of the Group's 2006 interim results, the taxation services and the audit examination of the Group's occupational retirement schemes.

INTERNAL CONTROL

The board has overall responsibility for maintaining a sound and effective internal control system of the Group. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The board has conducted a review of the effectiveness of the Group's internal control system during the year with a view to enhance its internal control system.

RESPONSIBILITY STATEMENTS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2006, the directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent auditors' report" on pages 33 to 34.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars.

The 2006 annual general meeting of the Company provided an opportunity for communication between the shareholders and the board, at which the chairmans of the board, the audit committee and the remuneration committee and other board members had attended to answer questions from the shareholders. Details of the rights of the shareholders and the procedures for demanding a poll were included in the circular to the shareholders and explained at the commencement of the meeting. Poll results were announced at the meeting and published in newspapers on the business day following the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of directors. All the resolutions proposed in 2006 for the shareholders' approval were passed.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul

Chairman

16 April 2007