

CORPORATE GOVERNANCE PRACTICES

All those provisions as set out in the Code of Corporate Governance Practices in Appendix 14 to the Listing Rules (the "CGP Code") which provides guidelines to reinforce our corporate governance principles, had been adopted by the Board. The company had complied throughout the year with all code provisions of CGP Code, with the exception of certain deviations to be discussed below.

- Non-executive Directors should be appointed for specific terms and subject to re-elections. All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.
- The roles of Chairman and Chief Executive Officer of the Company are not separated. The Board believes that it is more effective for the titles "Chairman" and "Chief Executive Officer" be vested in one person based on the Company's on-going business practice and experience. The Board is of the view that it is in the interest of the Company to have the benefit of a chairman who is knowledgeable about the business of the Group.
- The Board is of the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved. The basis of determining the emoluments payable to its directors and senior management by the Company is by reference to individual duties and market practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

THE BOARD OF DIRECTORS

During the year ended 30 June 2006, the Board comprised four executive directors, and three independent non-executive directors. The biographical details of the directors are set out on pages 8 and 9 of this Annual Report. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Seven board meetings were held during the financial year ended 30 June 2006. Details of Directors' attendance records are set out below:

	Attendance of Board meetings
Executive directors	
Mr. Lin Cheuk Fung	7/7
Mr. Lau Kwok Hung	7/7
Mr. Chan Shiu Kwong Stephen	7/7
Mr. Lau Kwok Keung	7/7
Mr. Chen Chak Man (Resigned on 8 June 2006)	6/7
Ms. Chik Siu Yin Urica (Resigned on 21 January 2006)	3/7
Independent non-executive directors	
Mr. Chow Pui Fung	7/7
Mr. Yue Fu Wing	6/7
Mr. Wong Yuk Man (Appointed on 1 March 2006)	1/7
Mr. Hung Shui Nam (Resigned on 1 March 2006)	4/7

The Board is responsible for the leadership and control of the Group. It formulates objectives, overall strategies and business plans and oversees the financial and management performance of the Group. For efficient operation, day-to-day functions and authorities are delegated to the management. It includes implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business.

CHAIRMAN & CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are not separated. The Board believes that it is more effective for the titles "Chairman" and "Chief Executive Officer" be vested in one person based on the Company's on-going business practice and experience.

The Board will evaluate from time to time this situation to ensure that the arrangement will continue to be in interests of the Company and its shareholders as a whole.

It is also in line with the conclusion reached by certain independent academic researchers that separation between the roles "Chairman" and "Chief Executive Officer" as a philosophical rule does not improve corporate performance.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill causal vacancies or as additions to the Board. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new directors of the Company.

New directors of the Company will be appointed by the Board. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

On 1 March 2006, Mr. Wong Yuk Man was appointed as an Independent Non-executive Director and a Member of the Audit Committee to replace Mr. Hung Shui Nam who resigned as an Independent Non-executive Director and Member of the Audit Committee due to personal reasons.

AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided to the Company and its subsidiaries by external auditors of the Group, amounted approximately to HK\$723,000 and HK\$123,000 respectively. The non-audit services mainly consist of review and taxation services.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chow Pui Fung, Mr. Yue Fu Wing and Mr. Wong Yuk Man. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

Three Audit Committee meetings were held during the financial year ended 30 June 2006. Attendance of the Members is set out below:

Members	Attendance of Audit Committee meetings
Mr. Chow Pui Fung	3/3
Mr. Yue Fu Wing	3/3
Mr. Wong Yuk Man (Appointed on 1 March 2006)	2/3
Mr. Hung Shui Nam (Resigned on 1 March 2006)	1/3

On 1 July 2005, the terms of reference were revised to align with the provisions under the CGP provision.

Under its terms of reference, the Audit Committee has reviewed the financial process and the effectiveness of the Group's internal controls system.

The following is a summary of the work performed by the audit committee during the year:

- reviewed the Group's unaudited interim report for the six months ended 31 December 2005 and audited financial statements for the year ended 30 June 2006;
- reviewed internal control and risk management framework; and
- considered to the Board for adoption of new accounting standards.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 21 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INVESTOR RELATIONS & COMMUNICATION

To promote the relationship between the Company and investor and to enhance the transparency of the operation of the enterprise, the Board is committed to providing clear and updated information on the Company to shareholders through the publication of notices, circulars, interim and annual reports to shareholders.

INTERNAL CONTROL

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

The Board has developed a framework to identifying the significant risks and how to cope with changes in business and external environment.

The Board has entrusted the audit committee with the responsibility to conduct an annual review of the effectiveness of the system of internal control of the Group.

The committee has reviewed the implementation of the system of internal controls and reviewing of all material controls including financial, operational, compliance controls and risk management functions.

The Board takes extreme precautionary measures in the handling of price-sensitive information. Such information is restricted to a need-to-know basis.

Management is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature, and complexity of the Group's business. The situation will be reviewed from time to time.