

Corporate Governance Report

The Company is committed to upholding good corporate governance practices and procedures to ensure greater transparency and quality of disclosure as well as more effective risk control.

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied throughout the year ended 30th June, 2005 with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules, which was in force prior to 1st January, 2005 and remains applicable for accounting period commenced before 1st January, 2005, except that the independent non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company's Bye-laws.

In November 2004, the Stock Exchange issued a new Code on Corporate Governance Practices which comes into effect for the reporting financial year commencing after 1st January, 2005. The Company has considered the new Code on Corporate Governance Practices and has taken steps to comply with it where appropriate.

THE BOARD OF DIRECTORS

The Board of the Company is collectively responsible for oversight of the management of the business and affairs of the Group with the objective to protect and enhance long-term shareholders value. The positions of the Chairman of the Board and the Chief Executive Officer (i.e. the Managing Director) are held separately by Mr. Liu Ka Lim and Ms. Ada Lam, respectively, to ensure their respective independence, accountability and responsibility. This separation of positions can ensure a clear delineation of roles between the Chairman's responsibility to oversee the Group's business strategies and the Chief Executive Officer's responsibility to monitor the day-to-day business.

The Board comprises of seven Directors, with four executive Directors and three independent non-executive Directors. The Directors' biographical information is set out on pages 9 to 10 under the heading "Directors' Profiles".

The independent non-executive Directors come from diverse business and professional backgrounds, rendering valuable expertise and experience for promoting the best interests of the Group and its shareholders as a whole by taking care of the interests of all shareholders and that issues are considered in a more objective manner. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

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All Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Bye-law and the Code of Corporate Governance. None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without compensation payment (other than statutory compensation).

The Board conducts at least four regular Board meetings a year at approximately quarterly intervals in addition to other Board meetings that are required for significant and important issues, and for statutory purposes. Appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments and thus can assist them in discharging their duties.

The Board has established Board Committees, namely Audit Committee, Remuneration Committee, Nomination Committee and General Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee meets at least twice annually to review and discuss the interim results and annual results. Each member of the Audit Committee has complete and unrestricted access to the Auditors and all senior staff of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters, including review of the audited financial statements of the Group for the Year.

As a resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the current external Auditors, Messrs. Deloitte Touche Tohmatsu, no explanation from the Audit Committee is applicable to the reason why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

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REMUNERATION COMMITTEE

The Remuneration Committee consists of the Chairman, the Managing Director, and the three independent non-executive Directors with one of them acts as the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating transparent procedures for developing remuneration policies and packages for the executive Directors and other key staff of the Group. It takes into accounts whether the packages offered are appropriate to respective duties and performance, and whether the packages are competitive and sufficiently attractive to retain the executive Directors and the key staff concerned. The Remuneration Committee meets at least once during the financial year and the first Remuneration Committee meeting is scheduled in December 2005.

NOMINATION COMMITTEE

The Nomination Committee consists of the Chairman, the Managing Director, and the three independent non-executive Directors with one of them acts as the Chairman of the Nomination Committee.

The Nomination Committee has been established to enhance transparency and fairness in the evaluation, selection and appointment of Board members. The Nomination Committee meets at least once during the financial year and when circumstances required. The first Nomination Committee meeting is expected in late 2005.

GENERAL COMMITTEE

The General Committee consists of the three members, the majority of which are executive Directors.

The General Committee has been established to take care of various administrative matters of the Board. The General Committee meets at least once during the financial year and when circumstances required. The first General Committee meeting is expected in November 2005.

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ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

Board of Directors Meetings

A total of six Board of Directors meetings of the Company were held during the year. The attendance rates of individual Board members of the Company are as follows:

Name of Directors	Attendance
Executive Directors	
Mr. Liu Ka Lim (<i>Chairman</i>)	5/6
Ms. Ada Lam (<i>Vice-Chairman and Managing Director</i>)	6/6
Mr. Wong Wing Cheong	6/6
Mr. Yeung Wood Sang	6/6
Independent Non-Executive Directors	
Ms. Hwang Sok In	4/4
Mr. Shum Kai Wing (<i>Appointed on 2nd August, 2004</i>)	3/3
Mr. Fan King Shum (<i>Appointed on 19th May, 2005</i>)	–
Mr. Lee Hong Chak, Heili (<i>Resigned on 19th May, 2005</i>)	4/4

Audit Committee Meetings

A total of two Audit Committee meetings of the Company were held during the year. The attendance rates of individual Audit Committee members of the Company are as follows:

Name of Audit Committee members	Attendance
Independent Non-Executive Directors	
Mr. Lee Hong Chak, Heili (<i>Chairman of Audit Committee until resigned on 19th May, 2005</i>)	2/2
Mr. Shum Kai Wing (<i>Appointed as an Audit Committee member on 2nd August, 2004 and also appointed as the Chairman of Audit Committee on 19th May, 2005</i>)	2/2
Ms. Hwang Sok In	2/2
Mr. Fan King Shum (<i>Appointed as an Audit Committee member on 19th May, 2005</i>)	–

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MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to Listing Rules during the year under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30th June, 2005.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are adopted by the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external Auditors of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 23.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are 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.

AUDITORS' REMUNERATION

For the year ended 30th June, 2005, the Auditors of the Company received approximately HK\$0.5 million for statutory audit services. No payments for taxation and consultancy services to the Auditors were made during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and to manage but not eliminate risks of failure in operational systems and fulfillment of the business objectives.

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The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

INVESTOR RELATIONS

The Company recognizes the need and the importance of timely and continuous communication with shareholders. In addition to the Company's annual reports and interim reports, the Company maintains a policy of ongoing communication with shareholders whose enquiries are directed to and dealt with by the Company's senior management.