

Corporate Governance Principles

The Group is committed to promoting good corporate governance, and has applied the principles in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

COMPLIANCE OF THE CODE PROVISIONS

Throughout the financial year ended 30 June 2006 (the “Financial Year”), the Company has complied with the Code except for the deviations from code provisions A.1.1, A1.3, A2.1 of the Code which are explained below.

Code provision A.1.1 Under code provision A.1.1 of the Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the Financial Year, the board met twice as two of the Executive Directors had to travel regularly to the United States of America and Brazil for business development.

Code provision A.1.3 Under code provision A.1.3 of the Code, notice of at least 14 days should be given for a regular board meeting to give all directors an opportunity to attend.

During the Financial Year, notice of 9 days were given, the Board considers this period of notice as sufficient and reasonable having regard to past practices of the Board.

Code provision A.2.1 Under code provision A.2.1 of the Code, the role of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the Financial Year, Mr. Chau Lai Him acts as the Chairman and Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive industry experience. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is the best interest of the Group to have Mr. Chau remained to be the executive chairman and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group’s corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.



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DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied throughout the year with the required standard as set out therein.

BOARD COMPOSITION

The Board is entrusted with the overall responsibility for managing the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman/Managing Director and the management.

The Board comprises a total of six Directors, with three Executive Directors, Messrs. Chau Lai Him (Chairman), Chu Yuk Kuen and Lau Man Tak and three independent Non-executive Directors, Messrs. Chung Kam Kwong, Chow Kin Ming and Lee Kin Keung. Details of the Directors are disclosed on pages 11 and 12.

During the Financial Year, the Board met twice. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his/her duties, take independent professional advice where necessary at the expense of the Company.

The roles of Chairman and Managing Director are not separate, please refer to the explanation in connection with Code provision A.2.1 as set out under the heading "Compliance with the Code provisions". The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

During the Financial Year, the Board has at all times complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of the Independent Non-executive Directors having the appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.



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BOARD OPERATION

During the Financial Year, the Board held 27 meetings and the attendance record of each member of the Board is set out below:

	Attendance
Executive Directors	
Chau Lai Him, <i>Chairman and Managing Director</i>	26
Chu Yuk Kuen	15
Lau Man Tak	26
Independent Non-executive Directors	
Chung Kam Kwong	12
Chow Kin Ming	10
Lee Kin Keung	3
Resigned Directors	
Lei Hong Wai	0
Hui Chun Lam	8
Lo Miu Sheung Betty	0

REMUNERATION COMMITTEE

The Remuneration Committee was established on 19 December 2005, comprising three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Chow Kin Ming and Lee Kin Keung and the chairman of the Remuneration Committee is Mr. Chau Lai Him. The role and function of the Remuneration Committee included the determination of the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of Non-executive Directors, The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee shall meet at least once a year.

One meeting was held in the Financial Year to adopt the terms of reference of the Remuneration Committee and all the committee members were present at the meeting. No meeting of the Remuneration Committee was held during the financial year. Details of the emoluments of the Directors are set out in note 9 to the financial statements.



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AUDIT COMMITTEE

The Audit Committee was established in November 1998, currently comprises three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Chow Kin Ming and Lee Kin Keung. The primary duties of the Audit Committee include the review of the Group's financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control procedures and risk management. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the external auditors, and reviews and monitors the external auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

During the Financial Year, the Audit Committee held two meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matter including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2006 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

AUDITORS' REMUNERATION

During the year, the remuneration paid and payable to the auditors of the Company, Deloitte Touch Tohmatsu and Charles Chan Ip and Fung, for the provision of the Group's audit services and non-audit related services were HK\$777,000 and HK\$290,000 respectively.

No nomination committee has been established.

On behalf of the Board

Chau Lai Him

Chairman

5 October 2006

