

CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout year ended 30th June 2006, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

According to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this annual report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual to chief executive officer when it thinks appropriate.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 transaction. The Company has made specific enquiries of all directors and all directors confirmed they have complied with the required standard of dealings set out therein during the year.

企業管治常規

本公司致力建立良好企業管治常規及程序，在擴大本公司的業務中，該常規及程序為風險管理之重要元素。本公司著重維持及執行優良、穩健及有效的良好企業管治常規及架構。

截至二零零六年六月三十日止年度，本公司一直遵守上市規則附錄14《企業管治常規守則》（「守則」）所載列之適用守則條文，惟與守則條文第A.2.1及A.4.1條有所偏離如下。

根據守則條文第A.2.1條，主席及行政總裁之職能應分開，不應由一人同時兼任。直至本年度報告日期，董事會尚未委任任何人士擔任行政總裁一職。行政總裁之職責乃由本公司所有執行董事（包括主席）共同擔任。董事會認為，該安排讓各位擁有不同專業的執行董事共同決策，亦可貫徹執行本公司之政策及策略，故符合本集團利益。展望未來，董事會將定期檢討該安排之成效，及考慮於適當時候委任行政總裁。

守則條文第A.4.1條規定非執行董事須按指定任期獲委任。根據本公司之公司細則，本公司之獨立非執行董事並無固定任期，但彼等須根據本公司之公司細則，在本公司各個股東週年大會上，輪值告退並膺選連任。

董事進行證券交易

本公司已採納上市規則附錄10所載之《上市發行人董事進行證券交易的標準守則》（「標準守則」）作為董事進行證券交易之操守準則。本公司已向全體董事作出特定查詢，而全體董事已確認彼等於年內均有遵守當中所要求之買賣標準。

BOARD OF DIRECTORS

Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The Board conducts meetings on a regular basis and on an ad-hoc basis, as required by business needs. During the year, the Board held a total of four regular board meetings and three ad-hoc board meetings. The composition of the Board and attendance of the Directors are set out below:

Attendants 出席者		No. of regular meetings 例會次數		No. of ad-hoc meetings 特別 會議次數	
		Attendance 出席次數		Attendance 出席次數	
Executive Directors:		執行董事：			
HUI Sai Chung (Chairman)	許世聰 (主席)	4	4	3	3
HUI Kwok Kwong (Deputy Chairman and Managing Director)	許國光 (副主席兼董事總經理)	4	4	3	3
Dr WONG Chi Ying, Anthony	黃子墨博士	4	4	3	1
LAI Kam Wah	黎錦華	4	4	3	3
CHING Yu Lung	程如龍	4	4	3	3
LIU Sau Lai	廖秀麗	4	4	3	2
Independent Non-executive Directors:		獨立非執行董事：			
HO Wai Chi, Paul	何偉志	4	3	3	0
FONG Pong Hing	方邦興	4	2	3	0
CHAN Dit Lung	陳秩龍	4	3	3	0

The balanced board composition ensured strong independence exists across the Board and has met the recommended practice under the Code to have at least one-third of its members comprising independent non-executive directors. At least one of the independent non-executive directors has appropriate professional qualifications, accounting and financial management expertise. The biographies of the Directors are set out in pages 4 to 5 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

董事會

董事會組成、董事會會議及董事出席次數

本公司的董事會具備均衡的技巧和經驗，而當中執行董事與非執行董事的組合亦保持均衡。董事會以定期或在業務需要時以特別會議形式舉行會議。於年內，董事會合共舉行四次定期董事會會議及三次特別董事會會議。董事會組成及董事出席詳情如下：

董事會以均衡之架構組成，目的在確保整個董事會擁有穩固之獨立性，其組成情況符合新守則所推薦董事會成員最少須有三分之一為獨立非執行董事之做法。最少有一位獨立非執行董事擁有相關的會計及財務管理之專業資格。各董事履歷載於年報第4至5頁，當中載列各董事之多樣化技能、專業知識、經驗及資格。

BOARD OF DIRECTORS (Cont'd)

Composition of the Board, number of Board meetings and Directors' attendance (Cont'd)

The Independent Non-executive Directors have been appointed for a term subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

Role and Function

- To establish the strategic direction for the development of the Company and set the objectives of the management;
- To approve annual budgets, major funding proposal and investment proposals;
- To decide on matters such as annual and interim results, major transactions, directors appointment, and dividend and accounting policies; and
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.

Directors' Responsibilities for the Financial Statements

The Members of the Board are responsible for preparing the accounts of the Company and of the Group. The accounts are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 2006, and of the Group's profit and cash flow for the year then ended. In preparing the accounts for the year ended 30th June 2006, the Members of the Board have selected appropriate accounting policies and, apart from those new and amended accounting policies as disclosed in the notes to the accounts ended 30th June 2006, have applied them consistently with previous financial periods. Judgments and estimates have been made that are prudent and reasonable. The reporting responsibilities of the External Auditor are set out on page 40.

董事會 (續)

董事會組成、董事會會議及董事出席次數 (續)

獨立非執行董事乃根據本公司之公司細則獲委任，惟彼等須輪值告退。

本公司已接獲全數三名獨立非執行董事根據上市規則第3.13條發出之年度獨立性確認書。董事會已評估彼等之獨立性，並確定全體獨立非執行董事均屬上市規則所界定之獨立人士。

角色及職責

- 設立本公司的策略性發展方向及制定管理目標；
- 批准年度預算、主要籌資提案及投資提案；
- 決定如年度及中期業績、重大交易、董事之委任、及股息和會計政策等事宜；及
- 檢查用於評估內部監控、風險管理、財務報告及遵守情況充分性的程序。

董事就財務報表所承擔的責任

董事局成員負責編製公司及集團的帳項。截至二零零六年六月三十日止之帳項是按持續經營準則編製，並真實及公平反映公司與集團的事務狀況。於編製截至二零零六年六月三十日止年度的帳項時，董事局成員選擇適當的會計政策，並連貫應用於以往財政期間（截至二零零六年六月三十日止的帳項附註披露的新及經修訂會計政策除外）。關於各項判斷及估計，均已作出審慎合理的評估。外部核數師的職責載於第40頁。

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new directors has been delegated to the Chairman and other executive directors. They review regularly the need to appoint additional directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as directors of the Company.

AUDIT COMMITTEE

Composition

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee consists of all independent non-executive directors. The composition and attendance record of the Audit Committee are as follows:

Attendants 出席者		Number of meetings attended/Total 出席會議次數／總次數	Attendance percentage 出席率
HO Wai Chi, Paul (<i>Committee Chairman</i>)	何偉志 (委員會主席)	2/2	100%
FONG Pong Hing	方邦興	2/2	100%
CHAN Dit Lung	陳秩龍	2/2	100%

Role and Function

The principal duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

- (a) to consider the appointment of the external auditor and any questions of resignation or dismissal;
- (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit;

提名董事

董事會並無成立提名委員會。提名新董事由主席及其他執行董事負責。彼等會定期審閱委任具合適專業知識及行業經驗之額外董事之需要。其後，董事會將考慮委任彼等所提名之候選人出任本公司董事。

審核委員會

組成

本公司根據聯交所之規定擬定審核委員會之職權範圍。審核委員會由全體獨立非執行董事組成。審核委員會之組成及出席紀錄如下：

角色及職責

審核委員會主要職責為確保財務報告及內部監控程序之客觀性及可信度，以及與本公司外聘的核數師保持良好關係。

審核委員會的職權範圍與香港會計師公會頒布的《審核委員會有效運作指引》內載的建議相符。茲將審核委員會的主要職責臚列如下：

- (a) 考慮外聘核數師的委任及處理任何辭職或解僱的問題；
- (b) 於審核工作開始前先與核數師討論審核性質及範疇；

AUDIT COMMITTEE (Cont'd)

Role and Function (Cont'd)

- (c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:
- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards;
 - (vi) compliance with stock exchange and legal requirements; and
- (d) to discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary).

For the year ended 30th June 2006, the Audit Committee met twice during the year, in particular, to review and discuss the followings:

- the auditing and financial reporting matters;
- the appointment of external auditors;
- the establishment of internal control system; and
- reviewed the interim results and the audited financial statements.

Each member of the Audit Committee has unrestricted access to the Auditors and all senior staff of the Group.

審核委員會(續)

角色及職責(續)

- (c) 在向董事會提交半年度及年度財務報表前先行審閱，並特別針對下列事項：
- (i) 會計政策及實務的任何更改；
 - (ii) 涉及重要判斷的地方；
 - (iii) 因審核而出現的重大調整；
 - (iv) 持續經營的假設；
 - (v) 遵守會計準則的情況；
 - (vi) 遵守聯交所規定及其它有關法規；及
- (d) (如有需要，在管理層不在場的情況下) 討論因審核工作產生的問題和保留意見，以及任何外聘核數師希望討論的事項。

於截至二零零六年六月三十日止年度，審核委員會曾舉行兩次會議，以重點審閱及討論以下事項：

- 核數及財務報告事宜；
- 委任外聘核數師；
- 建立內部監控系統；及
- 審閱中期業績及經審核財務報表。

審核委員會每位成員可不受限制地向核數師及集團內所有高級職員獲取資料。

REMUNERATION COMMITTEE

Composition

The Company has formulated written terms of reference for the Remuneration Committee which stated clearly its authorities and duties in accordance with the requirements of the Stock Exchange. The remuneration committee consists of three independent non-executive directors and an executive director. The composition and attendance record of the Remuneration Committee are as follows:

Attendants

出席者

Attendants		Number of meetings attended/Total	Attendance percentage
出席者		出席會議次數／總次數	出席率
HO Wai Chi, Paul (<i>Chairman</i>)	何偉志 (主席)	1/1	100%
FONG Pong Hing	方邦興	1/1	100%
CHAN Dit Lung	陳秩龍	1/1	100%
HUI Sai Chung	許世聰	1/1	100%

Role and Function

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives. The remuneration committee held one meeting during the year ended 30th June 2006.

薪酬委員會

組成

本公司根據聯交所之規定擬定薪酬委員會之職權範圍。薪酬委員會由3位獨立非執行董事及1位執行董事組成。薪酬委員會之組成及出席紀錄如下：

Number of meetings attended/Total	Attendance percentage
出席會議次數／總次數	出席率

1/1	100%
1/1	100%
1/1	100%
1/1	100%

角色及職責

薪酬委員會負責確保正式及具透明度之薪酬政策制訂程序，以監管執行董事及高級管理層之薪酬組合。薪酬委員會考慮之因素包括可比較公司之薪金水平、各董事及高級管理人員所投入之時間及職責等。薪酬委員會每年最少舉行一次會議以評估表現及審閱高級管理人員每年之薪酬及獎金。於截至二零零六年六月三十日年度止，薪酬委員會已召開了一次會議。

AUDITORS' REMUNERATION

During the year, the nature of the audit and non-audit services provided by PricewaterhouseCoopers, the auditors of the Company, and the relevant fee paid and payable by the Company for such services are as follows:

		HK\$ 港元
Audit services for the Group	為本集團提供之審核服務	1,015,000
Non-audit services including:	非審核服務包括：	
– review of interim results	– 審閱中期業績	200,000
– taxation services for the Group	– 為本集團提供之稅項服務	117,000
– agreed upon procedures on the Group's annual result announcement	– 議定本集團全年業績公佈之程序	10,000
Total	總額	1,342,000

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. During the year, the Board has received a high level risk assessment from an external consultant and has also conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries with no material issues noted.

核數師酬金

於年內，本公司核數師羅兵咸永道會計師事務所提供之審核及非審核服務，而本公司就該等服務已付及應付之有關費用如下：

內部監控

董事會需負責本集團的內部監控系統及檢討其效能。本公司的管理層已制定一套完善的政策、標準及程序，範圍包括運作監控、財務監控及風險監控，以保證資產得到保護並免受未經授權的使用或處置；保持適當的會計紀錄；及確保財務資料的可靠性，以達致滿意程度的保證，防止欺詐或錯誤的情況出現。於年內，董事會已委聘外界顧問進行高水平的風險評估，同時亦已檢討本公司及其附屬公司內部監控系統的成效，並無發現任何重大問題。

COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are printed and sent to all shareholders. Press releases are posted on the Company's corporate website <http://www.nhh.com.hk>. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company. Constantly being updated in a timely manner, the website also contains additional information on the Group's business activities.

The Company encourages its shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Company keeps shareholders informed of the procedure for voting by poll in all circulars to shareholders which are from time to time despatched to shareholders together with notices of general meetings of the Company. The Company has taken steps to ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. The Board and external auditors attend the Annual General Meetings to answer shareholders' questions. Poll results are advertised in newspapers on the following day and are posted on the Company's corporate website shortly after the meetings.

與股東的溝通

本集團透過多個正式途徑，確保對其表現及業務作出公平的披露和全面而具透明度的報告，包括印製年報和中期報告並發送予全部股東，於本公司的網站 <http://www.nhh.com.hk> 內張貼新聞稿，在公司網站刊出向本公司提出查詢的電郵地址、郵寄地址、傳真號碼和電話號碼。該網站會適時更新資料，並含有本集團業務活動之額外資料。

本公司鼓勵其股東出席股東週年大會，以確保有高度的問責性，及讓股東瞭解集團的策略和目標。

本公司在不時發送予股東的通函(連同本公司的股東大會通告)內載列以投票方式表決的程序，讓股東瞭解該程序。本公司已採取步驟確保以投票方式表決符合上市規則及本公司法規文件的規定。董事會及外聘核數師出席股東週年大會解答股東問題。表決結果在翌日於報章刊登，並在大會結束後不久張貼於本公司網站。