

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code during the year ended 30 June 2006.

## THE BOARD

### Composition

The Board consists of four Executive Directors and three Independent Non-executive Directors ("INED(s)"), one of whom has the appropriate professional accounting experience and expertise. The names and biographical details of each Director are disclosed on page 9 of this Annual Report.

Each INED has, pursuant to the rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a period of three years subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. Save as disclosed in the biographical details of each Director, there is no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

### Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management comprising the four Executive Directors.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board held four regular Board meetings at approximately quarterly interval for the year ended 30 June 2006. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of Directors are set out in the table below:-

## Attendance of individual Directors at Board meetings for the year ended 30 June 2006

**Number of meetings:** Eight

### Executive Director

Tan Sim Chew ( <i>Chairman</i> )		8
Zhong Ma Ming ( <i>Managing Director</i> )	(appointed on 6 March 2006)	3
Lo King Fat, Lawrence		8
Fu Zi Cong		6
Chen Miao Zhu	(resigned on 6 March 2006)	2

### INEDs

Wong Kwai Sang, Kays		6
Tsang Chun Pong		6
Li Chun Ming, Raymond		6

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses

### Chairman and Managing Director

The role of the Chairman, Mr. Tan Sim Chew is separate from that of the Managing Director, Mr. Zhong Ma Ming. Such division of responsibilities allows a balance of power between the Board of Directors and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Managing Director, assisted by other executive directors and senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

## BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

### Audit Committee

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:-

- to serve as a focal point for communication between other Directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors.

Set out below is the summary of work done in year ended 30 June 2006:-

- to review of the financial statements for the year ended 30 June 2006 and for the six months ended 31 December 2005;
- to review of the auditors' statutory audit plan and the letters of representation; and
- to consider and approve the 2006 audit fees and audit work.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:-

**Attendance of individual members at Audit Committee meetings for the year ended 30 June 2006**

**Number of meetings:** Three

**INED**

Wong Kwai Sang, Kays ( <i>Chairman</i> )	3
Tsang Chun Pong	3
Li Chun Ming, Raymond	3

**Remuneration Committee**

The Board has established a Remuneration Committee, comprising three INEDs and Mr. Lo King Fat, Lawrence. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors.

Set out below is the summary of work of the Remuneration Committee done for the year ended 30 June 2006

- to review of the remuneration policy for 2005/2006; and
- to review of the remuneration of the Executive Directors and the INEDs.

The Remuneration Committee held one meeting for the year ended 30 June 2006. Details of individual attendance of its members are set out in the table below:-

**Attendance of individual members at Remuneration Committee meetings for the year ended 30 June 2006**

**Number of meetings:** One

**Executive Director**

Lo King Fat, Lawrence ( <i>Chairman</i> )	1
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**INEDs**

Wong Kwai Sang, Kays	1
Tsang Chun Pong	1
Li Chun Ming, Raymond	1

## **Other information**

The Board of Directors has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was change of the composition of the Board for the year ended 30 June 2006. Ms. Chen Miao Zhu resigned as director and managing director on 6 March 2006 and Mr. Zhong Ma Ming was appointed as director and managing director on 6 March 2006. A board meeting with the presence of the executive directors was held to approve the changes.

## **REVIEW OF SYSTEM OF INTERNAL CONTROL**

The management of the Group has reviewed the effectiveness of the internal control and risk management systems of the Group for the year ended 30 June 2006 and submitted the findings and recommendations to the Audit Committee and the Board. The Audit Committee and the Board discussed such findings and agreed that the internal control procedures and risk management systems are in place within the key operating areas.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

## **AUDITORS' REMUNERATION**

During the year, the fees paid to the Company's Auditors, BDO McCable Lo Limited amounted to HK\$788,000 in respect of audit services. No non-audit service was provided by the Company's Auditors during the year.

## **DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors acknowledge that it is their responsibilities in preparing the Financial Statements. The finance department of the Company is taken charge by the qualified accountant of the Company. With the assistance of the financial department, the directors ensure that the Group's financial statements have been properly prepared in accordance with relevant regulations and applicable accounting principles. The Statement of the Auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 26.

## **SHAREHOLDER COMMUNICATION**

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the chairman at the general meeting.

At the annual general meeting held on 16 December 2005, a separate resolution was proposed at the meeting by the chairman in respect of each separate issue, including re-election Directors. The chairman of the Board and the chairman of the Audit Committee and Remuneration Committee attended the meetings to answer questions of shareholders.