

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance provides a framework and platform that is essential for and advantageous to effective management and successful business growth. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the year ended June 30, 2006 (the "Year"), the Company has complied with the code provisions of the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the Year.

## BOARD OF DIRECTORS

The composition of the Board of Directors and attendance of individual directors at Board, Remuneration and Audit Committee meetings during the Year, and up to the date of this report, are as follows:

	Board	Meetings Attended/Held		Audit Committee
		Nomination Committee	Remuneration Committee	
No. of meetings held	5	0	2	2
<b>Executive Directors</b>				
Mr. Hung Tsung Chin (Chairman)	5/5	0/0	2/2	
Ms. Chen Mei Huei (Chief Executive Officer)	5/5			
Mr. Wang Yao Chu	5/5			
Mr. Liao Wen I	5/5			
Mr. Yip Ho Chi (Company Secretary)	5/5			
<b>Independent Non-Executive Directors</b>				
Mr. Hsu Chun Yi	4/5	0/0	2/2	2/2
Mr. Chen Chung Ho	4/5			2/2
Mr. Tsan Wen Nan	4/5	0/0	2/2	2/2

The Directors are collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. The Directors meet to plan, decide and review these matters, which resolutions are put to a vote. Day-to-day operations of the Group and implementation of the Board's decisions and strategies are delegated to the Company's management team, and those arrangements are reviewed on a periodic basis to ensure they remain appropriate.

## Corporate Governance Report

All Directors are regularly updated on corporate governance and regulatory matters. The Directors have separate and independent access to the Company's senior management, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/ committee papers are distributed to the Directors/ committee members with reasonable notice in advance of the meeting. Minutes of board meetings and meetings of board committee, which recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the Company Secretary and are open for inspection by Directors.

The Company has also arranged a Director's and Officer's Liability Insurance policy in respect of legal action against its Directors.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hung Tsung Chin, the Chairman, is the spouse of Ms. Chen Mei Huei, the Chief Executive Officer. The Chairman is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner as will enable them to make an informed decision. The Chief Executive Officer is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved strategies in achieving the overall commercial objectives.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors of the Company has entered into letters of appointment with the Company and be appointed for a period of one year commencing January 1, 2006 and may be terminated by either party giving to the other three months' prior notice in writing. Pursuant to the guidelines set out in rule 3.13 of the Listing Rules, each of the independent non-executive directors has confirmed his independence and is continued to be considered by the Company to be independent.

### REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company is responsible for formulating and making recommendations to the Board on the Group's policy and structure of the Directors' and the senior management's remuneration, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration. Throughout the Year, the Remuneration Committee comprised Mr. Hung Tsung Chin (Chairman of the Remuneration Committee), Mr. Hsu Chun Yi and Mr. Tsan Wen Nan. By way of written resolutions, the Remuneration Committee considered and approved the proposed grant of share options to beneficiaries under the share option scheme of the Company during the Year.

### NOMINATION OF DIRECTORS

The Nomination Committee of the Company is responsible for the appointment of the directors and for considering appropriate candidates for re-election by the Company's shareholders at annual general meeting. Throughout the Year, the Nomination Committee comprised Mr. Hung Tsung Chin (Chairman of the Nomination Committee), Mr. Hsu Chun Yi and Mr. Tsan Wen Nan and has not held any meeting as there had been no major appointments to the Company.

## Corporate Governance Report

### AUDITORS' REMUNERATION

During the Year, the remuneration paid to the Company's external auditors, Deloitte Touche Tohmatsu, is set out as follows:

<b>Services rendered</b>	<b>Fee paid</b> <i>HK\$'000</i>
Audit services	1,708
Non-audit services (mainly for legal and tax advisory services for acquisition of BCN)	645

### AUDIT COMMITTEE

The Audit Committee has been established with the responsibility of assisting the Board in providing an independent review on the Company's (i) relationship with the external auditors, (ii) financial information, and (iii) the reporting system and internal control procedures. It acts in an advisory capacity and makes recommendations to the Board. Throughout the Year, the Audit Committee comprised Mr. Hsu Chun Yi (Chairman of the Audit Committee), Mr. Chen Chung Ho and Mr. Tsan Wen Nan.

The Directors are collectively responsible for preparing the consolidated financial statements of the Group which have been prepared on a going concern basis, and complied with requirements of the Listing Rules. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Also, there is no disagreement between the Directors and the Audit Committee regarding the selection of the external auditors.

The Directors have also conducted a review of the effectiveness of the system of internal control of the Group and are satisfied with the results of the review.