



Our Advantage Your Benefit

Corporate Governance Report

The Group is committed to maintain a high standard of corporate governance with a view to enhance the management of the Group as well as to preserve the interests of the shareholders as a whole. Underlying this commitment is the Group's belief that good corporate governance is a reflection of the integrity, transparency and high ethical standards of a responsible business.

Code on Corporate Governance Practices

The Board of Directors ("Board") confirms that the Group has complied with all material code provisions of the Code on Corporate Government Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the deviations as stated in code provision A.2.1 on Chairman and Chief Executive Officer as described below.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company has made specific enquiry to all Directors regarding any non-compliance with the Code during the year ended 30 June 2006 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

Board of Directors

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, ensures the availability of resources as well as the effectiveness of its internal control including financial control. The Board is charged with the responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group's business affairs. The Board also monitors the

financial performance and the internal controls of the Group's business operations. All Directors of the Group have access to timely information in relation to the Group's business and make further enquires when necessary.

The Board comprises of four Executive Directors, namely Mr. Lam Chi Ho, Ms. Sun Mi Li, Ms. Wu Siu Fan, Anita, Mr. Tsuji Tadao and three Independent Non-Executive Directors, Mr. Christopher Roger Moss, OBE, Mr. Xie Bai Quan, Mr. Chung Wai Kwok, Jimmy. The members of the Board have no financial, business, family or other material/relevant relationship with each other except that Mr. Lam Chi Ho is the husband of Ms. Sun Mi Li.

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Lam Chi Ho assumes the roles of Chairman and Chief Executive Officer of the Group. Given the current corporate structure, the Board considers that there is no separation between the roles of Chairman and Chief Executive Officer. All major decisions are made in consultation with the Board with sufficient independent element although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person. Therefore, the Board is of the view that there are adequate impartially and safeguards in place.

All Independent Non-Executive Directors possess appropriate professional qualifications and management expertise in respective areas such as accounting and finance and public administration. The Board believes that the participation of Independent Non-Executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all shareholders are considered and safeguarded.

All of the Independent Non-Executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Group.

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Board of Directors (Continued)

Biographical details of the Directors are set out in the section of Directors & Senior Management Profile on pages 17 to 19. The Board possesses a balance mix of skills and expertise which supports the continuing development of the Group.

During the year ended 30 June 2006, the Board held three meetings since its listing on 14 December 2005. The attendance of each Director is set out as follows:

Directors	No. of Meetings	
	Held	Attended
<i>Executive Directors</i>		
Mr. Lam Chi Ho	3	3
Ms. Sun Mi Li	3	3
Ms. Wu Siu Fan, Anita	3	3
Mr. Tsuji Tadao	3	2
<i>Independent Non-Executive Directors</i>		
Mr. Christopher Roger Moss, OBE	3	3
Mr. Xie Bai Quan	3	2
Mr. Chung Wai Kwok, Jimmy	3	3

Appointment and Re-election of Directors

Currently, all Independent Non-Executive Directors are appointed for a specific term of two years and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Remuneration Committee

The Company established a remuneration committee on 16 November 2005 with written terms of reference by reference to the provisions of the CG Code.

The remuneration committee comprises of two Independent Non-Executive Directors, Mr. Christopher Roger Moss, OBE and Mr. Chung Wai Kwok, Jimmy and one Executive Director, Ms. Sun Mi Li. Mr. Christopher Roger Moss, OBE is the chairman of the committee.

The principal duties of the remuneration committee include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

The remuneration committee held two meetings during the year ended 30 June 2006. The attendance of each remuneration committee member is set out as follows:

Remuneration Committee Members	No. of Meetings	
	Held	Attended
Mr. Christopher Roger Moss, OBE (<i>Chairman</i>)	2	2
Mr. Chung Wai Kwok, Jimmy	2	2
Ms. Sun Mi Li	2	2

In order to attract and retain a high caliber of capable and motivated human resources, the remuneration committee has decided to seek assistance from independent external advisers to review and recommend compensation policy to maintain internal equity and external competitiveness during the year ended 30 June 2006.

Audit Committee

The audit committee of the Company was established on 16 November 2005 in accordance with Appendix 14 to the Listing Rules to assist the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Group.

Audit Committee (Continued)

The existing committee comprises of Mr. Christopher Roger Moss, OBE, Mr. Chung Wai Kwok, Jimmy as the chairman, Mr. Xie Bai Quan. All of the committee members are Independent Non-Executive Directors. The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the audit committee.

The audit committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. During the financial year, the audit committee has reviewed the accounting standards and practices adopted by the Group and to discuss matters regarding the internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management, external auditors and internal auditing staff. The audit committee has reviewed the results announcement of the Company for the year ended 30 June 2006.

During the year ended 30 June 2006, the audit committee held one meeting. Attendance of each audit committee member is set out as follows:

Audit Committee Members	No. of Meetings	
	Held	Attended
Mr. Chung Wai Kwok, Jimmy (Chairman)	1	1
Mr. Christopher Roger Moss, OBE	1	1
Mr. Xie Bai Quan	1	1

Full minutes of audit committee meeting are kept by the secretary of the audit committee. Draft and final versions of minutes of the audit committee meetings are sent to all members of the audit committee for their comment and records respectively, in both cases, within a reasonable time after the meeting.

Auditors' Remuneration

During the year under review, the remuneration paid or payable to the Group's auditors, Deloitte Touche Tohmatsu, are set out as follows:

Type of Services	Fees paid/payable (HK\$)
Tax Compliance of the subsidiaries of the Group	43,000
Professional services rendered in connection with the listing of the Group	4,300,000
Review of the interim report	350,000
Annual audit	1,550,000

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with relevant statutory requirements and generally accepted accounting principles in Hong Kong and ensuring that the financial statements give a true and fair view of the Group's financial position. In preparing the financial statements of the Group for the year ended 30 June 2006, the Directors have adopted suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared the financial statements on going concern basis.

The Board aims to present a comprehensive, balanced and understandable assessment of the Group's development and prospects in all corporate communications, including but not limited to interim and annual reports, price-sensitive announcements and financial disclosures required under the Listing Rules, reports to regulators as well as information required to be disclosed pursuant to other statutory requirements.

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Internal Control and Risk Assessment

The Board has overall responsibility for the Group's system of internal control, including financial, operational and compliance controls and risk management. The Board is responsible for reviewing its overall effectiveness of internal control. This system is to provide reasonable assurance regarding effective and efficient operations, internal controls and compliances with laws and regulations.

During the year ended 30 June 2006, the Group has developed and reviewed a list of policies and procedures of the internal control procedures, with all significant findings considered in detail and appropriate action taken. The Group also used the services of a third-party consulting company to assist the Group with performing a risk assessment and developing a three-year internal audit plan in order to identify, evaluate and manage the significant risks faced by the Group on an on-going and pro-active basis.