

The board of directors of the Company (the “Board”) believes that corporate governance is essential to the success of the Company. The Company has applied the principles in and complied with the Code on Corporate Governance Practices (the “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 30 June 2006 except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they continuous meeting the requirements of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2006.

BOARD OF DIRECTORS

The Board comprises two executive directors, one non-executive director and three independent non-executive directors.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. Apart from these regular meetings, Board meetings are also held to approve major or special issues.

4 Board meetings were held during the year ended 30 June 2006.

Members of the Board, number of Board meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of Board meetings held
Executive directors	
Law Fong	4/4
Chen Te Kuang Mike	4/4
Non-executive director	
Oung Shih Hua, James	3/4
Independent non-executive directors	
Zhu Pei Qing	2/4
Lu Ti Fen	2/4
Kwok Wai Chi	2/4

Mr. Chen Te Kuang Mike is the cousin of Mr. Oung Shih Hua, James.

The Company has received from each independent non-executive director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rule. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Law Fong whereas the Chief Executive Officer of the Company is Mr. Chen Te Kuang Mike. Their roles are separated, with a clear division of responsibilities. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Code provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election and under the Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Currently, the non-executive director and three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company. In addition, under the provisions of the bye-laws of the Company, the Chairman of the Board and/or the Managing Director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire each year. Finally, new directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments and the directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years.

The Company will review the current bye-laws as and when it becomes appropriate in future.

REMUNERATION COMMITTEE

The Remuneration Committee was established with a specific written terms of reference. The Remuneration Committee comprises two independent non-executive directors and one non-executive director. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive directors and senior management of the Company.

Members of the Remuneration Committee are as follows:

Independent non-executive directors

Zhu Pei Qing
Lu Ti Fen

Non-executive director

Oung Shih Hua, James

No Remuneration Committee meeting was held during the year.

NOMINATION OF DIRECTORS

The Company did not establish a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his own independence.

AUDITORS' REMUNERATION

For the year ended 30 June 2006, fees payable to the auditors of the Group for audit and non-audit services amounted to HK\$660,000 and HK\$1,235,000 respectively.

AUDIT COMMITTEE

The Audit Committee was established with a specific written terms of reference. The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendations to the Board.

Two Audit Committee meetings were held during the year ended 30 June 2006. Members of the Audit Committee, number of Audit Committee meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Non-executive director	
Oung Shih Hua, James	1/2
Independent non-executive directors	
Zhu Pei Qing	2/2
Lu Ti Fen	1/2
Kwok Wai Chi	2/2

During the year ended 30 June 2006, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2005, the Company's interim report for the six months ended 31 December 2005.