

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange. The Board considers such commitment is essential for the growth of the Group and for maximising the interest of the Shareholders. The Company regularly reviews its corporate governance practices to ensure that the latest development in corporate governance can be followed and observed.

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year under review, the Company had complied with the Code Provisions, save for the deviations from Code Provisions A.2.1 and A.4.1.

According to 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.

Mr. Beh Kim Ling and Mr. Gan Sem Yam are the chairman of the Company and managing Director respectively. Mr. Beh Kim Ling, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from Code Provision A.2.1 as part of his duties overlap with those of the managing Director, who is in practice the chief executive officer. Mr. Beh Kim Ling as the founder of the Group, has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

According to Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. The 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 provision of the Company's articles of association. To further improve the corporate governance practices of the Company, starting from 1 August 2006, each of the non-executive Directors is appointed for a fixed term of one year and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted on 30 September 2004 its new securities dealing code ("New Code") regarding the dealings of the Directors and senior management of the Group in securities of the Company, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in the revised Appendix 10 to the Listing Rules which came into effect on 31 March 2004.

The Company, having made specific enquiry of all Directors and the Directors have confirmed that they have complied with the New Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2006.

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BOARD OF DIRECTORS

The Board is currently composed of four executive Directors comprising Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu; one non-executive Director, Mr. Gan Tiong Sia; and three independent non-executive Directors comprising Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow. The biographical details of, and relationship among the Directors are set out under the section headed "Directors and Senior Management Profile" of this annual report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the financial year ended 31 July 2006, the Board had convened twelve meetings of which three were regular meetings at which the following activities were conducted:

- (1) approved the annual report and matters to be considered at annual general meeting;
- (2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2007; and
- (3) reviewed the performance and financial position of the Group.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2006 are as follows:

Executive Directors	Attendance
Mr. Beh Kim Ling (<i>Chairman</i>)	12/12
Mr. Gan Sem Yam	12/12
Madam Gan Chu Cheng	12/12
Mr. Zhang Pei Yu	12/12
Non-executive Director	
Mr. Gan Tiong Sia	8/12
Independent non-executive Directors	
Mr. Diong Tai Pew	9/12
Mr. Cheung Kwan Hung, Anthony	9/12
Mr. Tang Sim Cheow	9/12

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The executive Directors and senior management of the Group, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

NOMINATION OF DIRECTORS

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

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") is currently composed of three members, comprising two independent non-executive Directors, namely Mr. Cheung Kwan Hung, Anthony (chairman) and Mr. Diong Tai Pew, and one executive Director, namely Mr. Beh Kim Ling. It was established by the Board on 14 February 2006 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions. The function of the Remuneration Committee is to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Group.

There was no meeting of the Remuneration Committee held during the financial year ended 31 July 2006. The Remuneration Committee met once on 21 September 2006 to review and approve the remuneration structure of the Directors and senior management of the Group as well as discretionary bonus of the executive Directors for the financial year ended 31 July 2006.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Diong Tai Pew (chairman), Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow. The original terms of reference of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. Pursuant to a resolution passed by the Board at its meeting held on 29 March 2005, a new set of terms of reference of the Audit Committee which were prepared in accordance with and with reference to the Code Provisions were adopted in replacement of the original terms of reference and the new terms of reference came into effect on 29 March 2005.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

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During the financial year under review, the Audit Committee had convened two meetings and conducted the following activities:

- (1) reviewed annual and interim reports of the Company;
- (2) reviewed the report of internal audit department, internal controls system and financial matters of the Group in pursuance of the terms of reference;
- (3) reviewed the audit findings of the external auditors of the Company;
- (4) made recommendation to the Board on the re-appointment of the external auditors; and
- (5) reviewed all ongoing connected transactions of the Company.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2006 are as follows:

	Attendance
Mr. Diong Tai Pew	2/2
Mr. Cheung Kwan Hung, Anthony	2/2
Mr. Tang Sim Cheow	2/2

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

AUDITORS' REMUNERATION

During the financial year ended 31 July 2006, the nature of the audit and non-audit services provided by KPMG, the auditors of the Company, and the relevant fee paid by the Company for such services are as follows:

Services rendered	Fee paid/payable
	HK\$
Audit services	1,690,000
Non-audit services, including interim review of the financial statements for the six months ended 31 January 2006	310,000
	<hr/> 2,000,000

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RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the financial year ended 31 July 2006, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the Auditors' Report to the Shareholders on page 42 of this annual report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year under review, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the financial year ended 31 July 2006.