

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the year ended 30th June, 2006, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of the deviations as set out in this report.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2006.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five board meetings were held during the financial year ended 30th June, 2006. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	5
Dr. NGAN Kit-keung (Assistant Managing Director)	4
Dr. Henry NGAN	5
Non-executive director	
Fritz HELMREICH	5
Independent non-executive directors	
Dr. LIU Li-mo	2
Anthony Grahame STOTT	4
TSE Yiu-wah	4

Ngan Kit-ling, Dr. Ngan Kit-keung and Dr. Henry Ngan are siblings. Fritz Helmreich is the spouse of Ngan Kit-ling.

Each director of the Company has been appointed on the strength of his/her experience and potential to contribute to the Group and its businesses.

Corporate Governance Report (Continued)

(C) BOARD OF DIRECTORS (Continued)

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interest of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities, where there are changes to the Company's or directors' disclosure obligations. Newly appointed directors receive briefings and orientation on their legal and other responsibilities as a director and the role of the Board. The Company has also provided appropriate information in a timely manner to the directors to enable them to make informed decisions and to discharge their duties and responsibilities as directors of the Company.

There is a clear division of responsibilities between the Board and the management. While decisions on the Group's operations are delegated to the management, decisions on important matters including those affecting the Group's strategy and policies, major investment and major commitments are made by the Board.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer as required under code provision A2.1 of the Code. NGAN Kit-ling serves as the Chairman and the Chief Executive Officer of the Company. The Company believes that separation of Chairman and the Chief Executive Officer would not result in enhanced efficiency and improved governance. The balance of power and authority between Chief Executive Officer and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.

(E) ROTATION OF DIRECTORS

Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. All those existing directors of the Company who do not hold any executive office of the Company are subject to retirement from the Board at the Ordinary Yearly Meeting of the Company and may stand for re-election at the Ordinary Yearly Meeting. Certain executive directors of the Company do not rotate as there are specific provisions governing the rotation of directors in the Company's Articles of Association.

Corporate Governance Report (Continued)

(F) REMUNERATION OF DIRECTORS

Code B1.1 provides that the Company should establish a remuneration committee. The Company has not established a remuneration committee in view of the Company's size and simple structure. The full Board reviews the remuneration of the executive directors and determines their remuneration. Regarding directors' fees and bonus, details are set out in note 7(a) to the financial statements.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and other directors from time to time review the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and taxation services provided by KPMG, the external auditors of the Company, amounted to HK\$2.37 million and HK\$0.53 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of the financial information of the Company and oversight of the Company's financial controls, internal control and risk management systems.

Code C3.3 provides that the Company's Audit Committee should have a set of written terms of reference which should include minimum duties as set out in the Code. On 9th December, 2005 the written terms of reference of the Company's Audit Committee were revised to incorporate the provisions set out in the Code.

The Audit Committee met twice in the year ended 30th June, 2006. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2006 are set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	2
Dr. LIU Lit-mo (resigned during the year)	0
Fritz HELMREICH	2
TSE Yiu-wah (appointed during the year)	1

During the year the Audit Committee has met with the external auditors without executive directors or management present.

The work performed by the Audit Committee during the financial year ended 30th June, 2006 included the review of the effectiveness of the group's internal control systems and the review of the interim report and annual report before submission to the Board.

Corporate Governance Report (Continued)

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the Group's financial statements. A statement by the auditors of their reporting responsibilities for the year ended 30th June, 2006 is set out in the Auditors' Report on page 19 of this Annual Report.