

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which came into effect on 1st January, 2005.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the following deviations from code provisions A.4.1 and E.1.2:

Code Provision A.4.1

The non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company’s Annual General Meeting in accordance with the Articles of Association of the Company.

Code Provision E.1.2

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the Annual General Meeting of the Company held on 23rd December, 2005.

(2) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31st July, 2006.

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board comprises eight executive Directors, namely, Mr. Lam Kin Ngok, Peter (Chairman), Mr. Lam Kin Ming (Deputy Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer), Mr. Lee Po On, Mr. Tam Kin Man, Kraven, Mr. Lau Shu Yan, Julius and Madam U Po Chu; two non-executive Directors, namely, Mr. Lim Ming Yan and Mr. Lui Chong Chee and three independent non-executive Directors, namely, Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Ku Moon Lun.

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(3) BOARD OF DIRECTORS (continued)

(3.3) The Board met four times during the financial year ended 31st July, 2006. The attendance record of individual directors at these board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
Executive Directors		
Lam Kin Ngok, Peter (<i>Chairman</i>)	4	0
Lam Kin Ming (<i>Deputy Chairman</i>)	4	4
Lam Kin Hong, Matthew (<i>Executive Deputy Chairman</i>)	4	2
Lam Hau Yin, Lester (<i>Chief Executive Officer</i>)	4	4
Lee Po On	4	3
U Po Chu	4	0
Lau Shu Yan, Julius	4	3
Tam Kin Man, Kraven	4	3
Ho Wing Tim*	3	0
Non-Executive Directors		
Lim Ming Yan	1	1
Lui Chong Chee	1	1
Lam Kin Ko, Stewart *	4	2
Independent Non-Executive Directors		
Wong Yee Sui, Andrew	4	4
Lam Bing Kwan	4	3
Ku Moon Lun	1	1
Wan Yee Hwa, Edward*	3	3
Mui Ying Chun, Robert*	0	0

* *already resigned*

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ngok, Peter is the son of Madam U Po Chu and the father of Mr. Lam Hau Yin, Lester. Mr. Lam Kin Hong, Matthew is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Save as disclosed above and in the “Biographical Details of Directors and Senior Management” section of this report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

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(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual.

During the year under review, Mr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive Directors of the Company is appointed for a specific term.

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 18th November, 2005, which comprises three independent non-executive directors, namely, Messrs. Mr. Wan Yee Hwa, Edward (Chairman), Mr. Lam Bing Kwan and Mr. Wong Yee Sui, Andrew and an executive director, Mr. Lee Po On. Mr. Wan Yee Hwa, Edward resigned on 21st June, 2006 and Messrs. Lui Chong Chee and Ku Moon Lun have been appointed members of the Committee.

(6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee did not hold any meetings during the year but the Committee will meet to discuss remuneration-related matters following recent changes to the composition of the Committee.

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK\$1,380,000 for the year under review. The Company has also paid fees amounting to HK\$178,000 to the auditors for non-audit service assignments during the year.

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(9) AUDIT COMMITTEE

(9.1) The board established an Audit Committee which currently comprises the two independent non-executive directors, namely, Messrs. Wong Yee Sui, Andrew (Chairman), Lam Bing Kwan and a non-executive director, Mr. Lim Ming Yan. Mr. Wan Yee Hwa, Edward (a former member of the Committee) resigned on 21st June, 2006 and Mr. Lim Ming Yan was appointed on the same date.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. All members of the Audit Committee, namely, Messrs. Wong Yee Sui, Andrew, Lam Bing Kwan and Wan Yee Hwa, Edward, attended all the meetings.

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

(10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the report of the auditors contained in this Annual Report.

(11) INTERNAL CONTROL

During the year, the Board has engaged Horwath Risk Advisory Services Limited to perform internal audit functions and to assist Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.