

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company (the "Director(s)"), the Company has applied the principles and complied with all the code provisions as 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") during the year ended 30 September 2006, with an exception of the code provision C.2.1 of the CG Code that the internal control system of the Company and its subsidiaries (the "Group") for the year ended 30 September 2006 was reviewed by the audit committee of the Company (the "Audit Committee") in January 2007.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Code of Conduct and the Model Code throughout the year under review.

## THE BOARD

The Board, led by the Chairman, Mr. Yeung Hoi Sing, Sonny, is responsible for supervision of the management of the business and affairs, approval of strategic plans and reviewing of financial performance. The Board is committed to make decisions in the best interests of both the Company and its shareholders.

The Board is currently consists of six members, including two executive Directors, namely Mr. Yeung Hoi Sing, Sonny (*Chairman*) and Mr. Lee Siu Cheung; a non-executive Director, namely Mr. Choi Kin Pui, Russelle; and three independent non-executive Directors, namely Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann (the "INEDs"). The Directors' biographical information is set out on pages 31 and 32 under the heading "Biographical Details of Directors and Senior Management".

The roles of the Chairman of the Board and the Chief Executive Officer are segregated and assumed by separate individuals to strike a balance of power and authority so that power and job responsibilities are not concentrated in any one individual of the Board. The Chairman, Mr. Yeung Hoi Sing, Sonny, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company, while the function of the Chief Executive Officer is currently performed by Mr. Lee Siu Cheung, an executive Director, who is responsible for managing the Group's business and overall operations. The functions and responsibilities between the Chairman and Mr. Lee Siu Cheung who performs the function of Chief Executive Officer, are clearly segregated.

During the year under review, Mr. Chan William, a former executive Director and Deputy Chairman performed, in addition to Mr. Lee Siu Cheung, the function of the Chief Executive Officer before his resignation on 28 September 2006.

To the best knowledge of the Directors, there is no financial, business and family or other material/relevant relationship among members of the Board and between the Chairman and the executive Directors who perform the function of Chief Executive Officer. All of them are free to exercise their independent judgment.

The INEDs represent half of the Board and one of them, Mr. Yim Kai Pung is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. He has over 16 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the People's Republic of China.

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs to be independent.

The non-executive Director and all INEDs have entered into service contracts with the Company for a term of one year. None of the INEDs has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

**THE BOARD (Continued)**

At the annual general meeting of the Company held on 28 February 2006 (the “2006 Annual General Meeting”), special resolution in respect of the amendments to the Bye-laws of the Company has been passed to conform with the CG Code so that any Directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the next following general meeting of the Company after their appointment. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation at least once every three years.

The Board meets regularly throughout the year as and when required. Notices of at least 14 days are given to all Directors for all regular Board meetings. The Company Secretary assists the Chairman of the Board in preparing the agenda for the meetings and all Directors are consulted to include any matters in the agenda. Agenda and accompanying board papers are given to all Directors in a timely manner and at least 3 days before the appointed date of the meetings.

During the year under review, four regular Board meetings were held and details of the Directors’ attendance are set out below:

<b>Directors</b>	<b>Number of regular Board meetings attended/held</b>
<b>Executive Directors</b>	
Mr. Yeung Hoi Sing, Sonny ( <i>Chairman</i> )	4/4
Mr. Lee Siu Cheung	3/4
Mr. Chan William ( <i>resigned on 28 September 2006</i> )	3/4
<b>Non-executive Director</b>	
Mr. Choi Kin Pui, Russelle	3/4
<b>Independent non-executive Directors</b>	
Mr. Luk Ka Yee, Patrick	3/4
Mr. Yim Kai Pung	4/4
Ms. Yeung Mo Sheung, Ann	4/4

The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company’s expense, to assist them to discharge their duties. Appropriate and sufficient information is provided to the Directors in a timely manner to keep them abreast of the Group’s latest developments and any major changes to the relevant rules and regulations and thus can assist them in discharging their duties.

**DELEGATION BY THE BOARD**

The Board has established Board committees, namely Audit Committee, Remuneration Committee and Executive Committee to oversee particular aspects of the Company’s affairs and to assist in sharing the Board’s responsibilities. The Board has reserved for its decision or consideration on matters covering corporate strategy, annual and interim results, changes of members of the Board and its committees, major acquisitions, disposals and capital transaction, and other significant operational and financial matters. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

**AUDIT COMMITTEE**

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the non-executive Director and all INEDs and is chaired by Mr. Yim Kai Pung.

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year under review, four Audit Committee meetings were held and details of attendance of the Audit Committee members are set out below:

<b>Audit Committee members</b>	<b>Number of Audit Committee meetings attended/held</b>
Mr. Yim Kai Pung ( <i>Chairman of the Audit Committee</i> )	4/4
Mr. Choi Kin Pui, Russelle	3/4
Mr. Luk Ka Yee, Patrick	4/4
Ms. Yeung Mo Sheung, Ann	4/4

During the year under review, the Audit Committee had considered, reviewed and discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditors including the terms of engagement; (3) the audited financial statements and the interim results; and (4) the engagement of independent auditor to review the internal control system of the Group. Each member of the Audit Committee has unrestricted access to the Auditors and all senior staff of the Group.

**REMUNERATION COMMITTEE**

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee currently consists of the Chairman of the Board, the non-executive Director and all INEDs with Mr. Yeung Hoi Sing, Sonny, acts as the Chairman of the Remuneration Committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company’s policy and structure for remuneration of the Directors and senior management of the Company and to determine specific remuneration packages of all executive Directors and senior management of the Company. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

During the year under review, one Remuneration Committee meeting was held and two resolutions in writing were passed by the Remuneration Committee for, inter alia, reviewing the remuneration policy for all Directors and senior management of the Company, and determining remuneration packages of certain executive Directors and senior management of the Company respectively. Details of attendance of the Remuneration Committee members at the Remuneration Committee meeting are set out below:

Remuneration Committee members	Number of Remuneration Committee meeting attended/held
Mr. Yeung Hoi Sing, Sonny <i>(appointed as a member and the Chairman of the Remuneration Committee on 28 September 2006)</i>	N/A
Mr. Choi Kin Pui, Russelle	0/1
Mr. Luk Ka Yee, Patrick	1/1
Mr. Yim Kai Pung	1/1
Ms. Yeung Mo Sheung, Ann	1/1
Mr. Chan William <i>(ceased to act as a member and the Chairman of the Remuneration Committee on 28 September 2006)</i>	1/1

**EXECUTIVE COMMITTEE**

An Executive Committee was established by the Board with specific written terms of reference in November 2006. The Executive Committee consists of all executive Directors, namely Mr. Yeung Hoi Sing, Sonny and Mr. Lee Siu Cheung with Mr. Yeung Hoi Sing, Sonny acts as the Chairman of the Executive Committee. The Executive Committee is responsible for undertaking and supervising the day-to-day management and operation affairs of the Company.

**NOMINATION OF DIRECTORS**

The Company did not establish a nomination committee pursuant to the recommended best practices of the CG Code and the Board is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the members of the Board, assessing the independence of INEDs and considering any appointment of its own members.

During the year under review, no new member has been appointed to the Board.

**INTERNAL CONTROLS**

An independent auditor (the “Independent Auditor”) has been engaged by the Company in late June 2006 to review the effectiveness of internal control system of the Group which cover all material controls, including financial, operational and compliance controls as well as risk management functions. The Independent Auditor has performed review of the internal control system of the Group for the year ended 30 September 2006 and the relevant review report has been submitted to the Audit Committee in January 2007 for consideration. Effectiveness of the internal control system of the Group for the year ended 30 September 2006 has also been reviewed by the Audit Committee in January 2007. The Board, through the reviews made by the Independent Auditor and the Audit Committee, considers that the Group’s internal control system has implemented effectively.

**DIRECTORS’ AND AUDITORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Messrs. CCIF CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Report of Auditors on page 33.

**DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (Continued)**

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

**AUDITORS' REMUNERATION**

For the year ended 30 September 2006, the amounts paid to the external auditors of the Group in respect of the following services provided to the Group are as follows:

	2006 HK\$'000
Audit services	651
Taxation advisory services	45
Other advisory services	75
	771

**COMMUNICATION WITH SHAREHOLDERS**

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. At the 2006 Annual General Meeting, the Chairman of the Board as well as the Chairmen of the Audit Committee and the Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issues, including the election of individual Directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll were included in the circular to shareholders dispatched together with the annual report. The said circular also contained relevant details of the proposed resolutions, including biography of each Director standing for re-election.

At the 2006 Annual General Meeting, all the resolutions were dealt with on a show of hands and were passed by shareholders.