



## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board of Directors (the “Board”) will review and improve the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited, except for the deviations as disclosed in this report.

### BOARD OF DIRECTORS

#### (1) Responsibilities

The Board of Directors is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

The Company has arranged for appropriate liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed periodically.



## CORPORATE GOVERNANCE REPORT (Continued)

### (2) Board Composition

The Board currently comprises 3 Directors, 3 non-executive Directors and 3 Independent non-executive Directors.

The Board members for the year ended 30 September 2006 are:

#### *Executive Directors*

Wong King Ching, Helen

Wong King Man

Leung Chi Fai

#### *Non-executive Directors*

Wong Choi Kam

Wong Chun Ying

Wong Kim Seong

#### *Independent Non-executive Directors*

Wong Kun Kim

So Day Wing

Kuo Yen Ting (resigned on 1 March 2006)

Kan Lai Kuen (appointed on 1 March 2006)

The biographies of the Directors are set out on page 9 of this annual report.

During the year ended 30 September 2006, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors. The Company has received a written confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise.

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the reporting period, Ms. Wong King Ching, Helen holds both positions of the Chairman and the Chief Executive Officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Ms. Wong to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the directors shall retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.



## CORPORATE GOVERNANCE REPORT *(Continued)*

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

### **AUDIT COMMITTEE**

The Audit Committee is comprised of three Independent Non-executive Directors. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The committee is responsible for reviewing the Company's financial information, the financial and accounting policies and practices adopted by the Group, the compliance of listing rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The committee also monitors the appointment, the audit fees and function of the Group's external auditor.

Three Audit Committee meetings were held in 2005/06 to discuss and review the following matters:

1. review of the annual results for the year ended 30 September 2005 and the interim results for the period ended 31 March 2006;
2. consideration of the principal accounting policies adopted by the Group;
3. consideration of the audit fees and terms of the external auditor;
4. discussion on the recovery of certain debts;
5. review the adequacy and effectiveness of the internal control system and make recommendation to the Board for improvement of internal control, credit control and risk management;
6. discussion on the corporate governance matters as required by the Code on Corporate Governance Practices.



## CORPORATE GOVERNANCE REPORT (Continued)

Details of Directors' attendance at the Board meetings and Audit Committee meetings held for the year ended 30 September 2006 are set out in the table below:

| Directors                                  | No. of meetings<br>attended/entitled to attend |                 |
|--|--|-----------------|
|  | Board  | Audit Committee |
| <i>Executive Directors</i>                 |  |                 |
| Wong King Ching, Helen (Chairman)          | 3/3  | –               |
| Wong King Man (Vice-Chairman)              | 3/3  | –               |
| Leung Chi Fai                              | 3/3  | 3/3             |
| <i>Non-executive Directors</i>             |  |                 |
| Wong Choi Kam                              | 0/3  | –               |
| Wong Chun Ying                             | 0/3  | –               |
| Wong Kim Seong                             | 0/3  | –               |
| <i>Independent Non-executive Directors</i> |  |                 |
| Wong Kun Kim                               | 3/3  | 3/3             |
| So Day Wing                                | 2/3  | 3/3             |
| Kuo Yen Ting <sup>(1)</sup>                | 0/2  | 0/1             |
| Kan Lai Kuen <sup>(2)</sup>                | 1/1  | 2/2             |

(1) resigned on 1 March 2006

(2) appointed on 1 March 2006

### AUDITOR'S REMUNERATION

The Group's external auditor is Ernst & Young. During the year ended 30 September 2006, the total fee paid/payable in respect of audit and non-audit services provided by the external auditor is set out below:

|                | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
|----------------|------------------|------------------|
| Audit services | 1,080            | 940              |
| Tax services   | 67               | 62               |



## CORPORATE GOVERNANCE REPORT (Continued)

### REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three independent non-executive directors of the Company, the Chairman and Mr Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and making recommendations to the board of directors from time to time.

### INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control systems is maintained within the Group.

The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively.

The Board has engaged D. P. Lau & Co. to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The review will cover financial, operational and compliance controls and risk management functions of the Group.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with required standard set out in the Model Code throughout the year.