

# Corporate Governance Report

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## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to set up and maintain a high standard of corporate governance practices and procedures. For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations as disclosed in this report.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 September 2007.

## **BOARD OF DIRECTORS**

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group's businesses and operations. All important issues are discussed in a timely manner.

The Board comprises 8 Directors, with 3 Executive Directors, a Non-executive Director and 4 Independent Non-executive Directors. The biographies of the Directors are set out in Management Profile on page 4 of this annual report. The Company has received annual 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.

## **NON-EXECUTIVE DIRECTORS**

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The Non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

## **REMUNERATION OF DIRECTORS**

The Remuneration Committee was established in June 2006 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. The Remuneration Committee met once during the year to review the remuneration policy for Directors and senior management of the Company.

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the financial year ended 30 September 2007 are set out in note 9 to the financial statements.

Members of the Remuneration Committee are Mr. Yuen Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick, Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.

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## NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and approving and terminating the appointment of a Director. A candidate to be appointed as Independent Non-executive Director must also meet the independence requirement sets out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee and no meeting was held by the Board for nomination of new Director.

## AUDIT COMMITTEE

The Audit Committee, established in 1999 with specific written terms of reference, consists of three Independent Non-executive Directors of the Board, is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 30 September 2006 and the unaudited interim financial statements for the six months ended 31 March 2007 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. Members of the Audit Committee are Mr. Yuen Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick, Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.

## Attendance at Meetings of the Board, the Audit Committee and the Remuneration Committee

Name of Director	Number of meetings attended/eligible to attend for the year ended 30 September 2007		
	Board	Audit Committee	Remuneration Committee
<b>Executive Directors</b>			
Dato' Dr. Cheng Yu Tung (Chairman)	3/4		
Mr. Chung Ming Fai	4/4		
Mr. Chung Yin Shu, Frederick	4/4	2/2	1/1
<b>Non-executive Director</b>			
Mr. Chung Wai Shu, Robert	4/4	2/2	1/1
<b>Independent Non-executive Directors</b>			
Mr. Yuen Pak Yiu, Philip	2/4	2/2	1/1
Dr. Fong Yun Wah, S.B.S., J.P.	2/4		
Mr. Lo Pak Shiu	3/4	2/2	1/1
Mr. Yuen Sik Ming, Patrick	3/4	2/2	1/1

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## AUDITORS' REMUNERATION

During the year ended 30 September 2007, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

	2007 HK\$'000	2006 HK\$'000
Audit services	558	518
Non-audit services	141	141
	<u>699</u>	<u>659</u>

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 14 and 15 of this annual report.

## INTERNAL CONTROL

The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

## COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman and other members of the Board attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company also holds press and analysts conferences at least once a year following the release of full year results announcements at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.