

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 30 June 2006, the Company has applied the principles of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and complied with all the applicable code provisions of the Code.

### 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 Listing Rules. The Company has made specific enquiry of all the Company’s directors any non-compliance with the Model Code during the year ended 30 June 2006 and they all confirmed that they had fully complied with the required standard set out in the Model Code.

### BOARD OF DIRECTORS

During the year ended 30 June 2006, the composition of the Board was as follows:

#### Executive directors

Mr. Lam Kwok Hing  
Mr. Chu Ki  
Mr. Fong Yiu Ming, Anson  
Ms. Lee Choi Lin, Joecy  
Mr. Peng Zhanrong  
Mr. Chiau Che Kong

#### Non-executive director

Ms. Chan Yuk, Foebe (re-designated from executive director to non-executive director on 14 December 2005)

#### Independent non-executive directors

Mr. John Handley  
Mr. Poon Yiu Cheung, Newman  
Ms. Mak Yun Chu

## CORPORATE GOVERNANCE REPORT

The Board members have no financial, business or other material/relevant relationships with each other except that Ms. Lee Choi Lin, Joecy is the spouse of Mr. Lam Kwok Hing, there is no relationship between members of the Board.

During the year ended 30 June 2006, the Board had at all times at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management.

During the year ended 30 June 2006, four board meetings were held and the attendance records were as follow:

<b>Name of Director</b>	<b>Number of Board Meetings Attended</b>	<b>Attendance Rate</b>
<i>Executive directors</i>		
Mr. Lam Kwok Hing	4/4	100%
Mr. Chu Ki	4/4	100%
Mr. Fong Yiu Ming, Anson	4/4	100%
Ms. Lee Choi Lin, Joecy	4/4	100%
Mr. Peng Zhanrong	2/4	50%
Mr. Chiau Che Kong	4/4	100%
<i>Non-executive director</i>		
Ms. Chan Yuk, Foebe	4/4	100%
<i>Independent non-executive directors</i>		
Mr. John Handley	4/4	100%
Mr. Poon Yiu Cheung, Newman	4/4	100%
Ms. Mak Yun Chu	4/4	100%

## CORPORATE GOVERNANCE REPORT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive directors of the Company has confirmed his/her independence with the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company were appointed for a term of three years. All directors appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

### DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

The roles of chairman and chief executive officer are segregated in order to ensure a balance of power and authority in the management of the Board and the day-to-day management of the business. The Chairman of the Company is Mr. Lam Kwok Hing and the Chief Executive Officer is Mr. Chu Ki.

### AUDIT COMMITTEE

Current members of the Audit Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director*

Mr. John Handley, *Independent Non-executive Director*

Mr. Poon Yiu Cheung, Newman, *Independent non-executive Director*

The Audit Committee has adopted terms of reference which are in line with the Code.

The financial statements of the Group for the year ended 30 June 2005 and 30 June 2006 and for the six months ended 31 December 2005 have been reviewed and approved by the Audit Committee.

### REMUNERATION COMMITTEE

The Company established the Remuneration Committee in July 2005. The current members of the Remuneration Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director*

Mr. Poon Yiu Cheung, Newman, *Independent non-executive Director*

Mr. Lam Kwok Hing, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The first Remuneration Committee meeting was held in the third quarter of Year 2005.

### NOMINATION COMMITTEE

The Company established the nomination Committee in July 2005. The current members of the Remuneration Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director*

Mr. Poon Yiu Cheung, Newman, *Independent non-executive Director*

Mr. Lam Kwok Hing, *Executive Director*

The Nomination Committee has adopted terms of reference which are in line with the Code.

The first Remuneration Committee meeting was held in the third quarter of Year 2005.

### AUDITORS' SERVICES

For the year ended 30 June 2006, the Group engaged RSM Nelson Wheeler, auditors of the Company, to perform audit service only.

### DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and other rules and statutory requirements.

On behalf of the Board

**Wong Siu Hong**

*Company Secretary*

Hong Kong, 20 October 2006