

CORPORATE GOVERNANCE PRACTICES

Mindful of attaining a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2006, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

1. Under Code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Chairman of the Board, Mr. Chu Nin Yiu, Stephen, provides overall leadership for the Board and takes the lead to ensure the Board acts in the best interest of the Company. The Company does not have a chief executive officer and the day-to-day management of the Company's business is shared among the executive directors. The Company will endeavour to ensure that there is a clear division of these responsibilities at the board level to maintain a balance of power and authority.

2. Under Code A.4.1, 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 a specific term as they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association.

Board of Directors

The board of directors (the "Board") of the Company consists of three executive directors and three independent non-executive directors. One of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

Providing overall direction and control of the Group, the Board is mainly responsible for the formulation and development of business strategies and policies, and approval of budgets, results, significant investments and material transactions. The daily administration and operations, and the execution of plans and policies, are delegated to the management under the leadership of the Board.

During the year, the Board held 10 meetings. The members of the Board and the attendance of each member are as follows:

Name of Directors	Meetings attended/ held
Executive Directors:	
Chu Nin Yiu, Stephen (<i>Chairman</i>)	10/10
Chu Nin Wai, David (<i>Deputy Chairman</i>)	10/10
Lau Chi Kan, Michael	2/10
Independent Non-Executive Directors:	
Li Sze Kuen, Billy	9/10
Wong Kwong Fat	10/10
Leung Kam Fai	5/10



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The biographies of the Board members are set out on pages 6 of this annual report under the subject “Directors’ Profiles”. The directors have no financial, business, family or other material/relevant relationships with each other except that Mr. Chu Nin Yiu, Stephen is the brother of Mr. Chu Nin Wai, David.

The Company has received annual confirmations of independence from all independent non-executive directors, and consider them independent in accordance with the Listing Rules.

All directors have full access to board minutes, papers and relevant information of the Group. They are also entitled to obtain independent professional advice where deemed necessary in order to enable them to make informed decisions and discharge their responsibilities and duties accordingly.

Appropriate directors’ and officers’ liability insurance has been arranged for the directors and officers of the Company.

Chairman and Chief Executive Officer

Mr. Chu Nin Yiu, Stephen is currently the Chairman. The Company does not have the position of Chief Executive Officer. This is a deviation from Code A.2.1, which has been explained in the above section headed “Corporate Governance Practices”.

Appointment and Re-election of Directors

According to the Company’s Articles of Association, two of the directors shall retire from office at each annual general meeting by rotation and shall be eligible for re-election. Any directors appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

Independent Non-executive Directors

The independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with the Company’s Articles of Association. This is a deviation from Code A.4.1, which has been explained in the above section headed “Corporate Governance Practices”.

Remuneration of Directors

The Company has established a Remuneration Committee in November 2005 with written terms of reference in compliance with the Code. The Remuneration Committee comprises an executive director, Mr. Chu Nin Yiu, Stephen (Chairman), and the three independent non-executive directors, Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management, determine the specific remuneration packages of all executive directors and senior management including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors

The Remuneration Committee had not held any meeting during the year, but a meeting was held in August 2006 which was attended by all members.

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Nomination of Directors

The Company has not established a nomination committee. Nomination of new director is subject to the assessment and approval by the Board based on the nominee's qualification and experience, integrity, commitment and potential contributions to the Company. During the year, no new director has been appointed.

Auditors' Remuneration

For the year ended 31st July, 2006, remuneration of approximately HK\$835,000 was paid to the Auditors for audit service and approximately HK\$510,000 for non-audit services mainly in relation to the interim review and the rights issue during the year.

Audit Committee

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr. Leung Kam Fai, all of whom are independent non-executive directors.

The principal functions of the Audit Committee include the review and supervision of the Group's reporting process and internal controls.

During the year, the Audit Committee held two meetings which were attended by all the members and performed the following duties:

1. reviewed and commented on the Company's draft annual and interim financial reports;
2. reviewed and commented on the Group's internal controls; and
3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2006.

Financial Reporting

The directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the Auditors about their reporting responsibilities is set out in the Report of the Auditors on page 18.

Internal Control

The Board has overall responsibilities for the Group's system of internal controls, and is committed to the ongoing development of an effective internal control system to safeguard assets, and to enhance risk management and compliance with applicable legislation and regulations. The Board has conducted a review of the effectiveness of the system of internal control of the Group.

The Company will continue to conduct annual reviews of its internal control system through the Audit Committee, identifying control weaknesses and risk areas, if any, and taking effective measures to improve the system.



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Model Code for Securities Transactions

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

Communication with Shareholders

In order to keep shareholders well informed of the business activities and direction of the Group, extensive information has been provided to the shareholders through annual and interim reports, circulars, announcements and press interviews. The Company is prepared to establish its own website in the near future and this will further enhance effective communication with its shareholders and the public.