

# Corporate Governance Report



The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Company Annual Report for the year ended 30<sup>th</sup> September 2006.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") promulgated the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") which sets out the corporate governance principles ("Principles") and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply.

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

## Corporate Governance

In the opinion of the directors, save as disclosed below, the Company has complied with the Code Provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 30<sup>th</sup> September 2006.

### Code Provision A.2.1

The Board does not have any director with the title "Chairman". Presently the Company Secretary is responsible to ensure that all directors are properly briefed, either by him or by members of the Company's senior management, on issues arising at board meetings. Whereas the Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

### Code Provision A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association.

## Board of Directors

### Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the Company Secretary, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expense.

### Board Composition

The Board currently comprises five executive directors and three independent non-executive directors from different business and professional fields. The profiles of each director are set out in the "Directors and Senior Management" section in this Annual Report. The directors, including the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board is responsible for selection and approval of candidates for appointment as directors to the Board. Accordingly, the Company has not established a Nomination Committee for the time being.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Company has arranged Directors' and Officers' Liability Insurance for the directors and officers of the Company.

## Board and Board Committee Meetings

### Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Board met 11 times during the year ended 30<sup>th</sup> September 2006.

### Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors.

The attendance of individual members of the Board and other Board Committees meetings during the year ended 30<sup>th</sup> September 2006 is set out in the table below:

Directors	Full Board	Meetings attended/held			AGM/EGM
		Executive Board*	Audit Committee	Remuneration Committee	
Executive Directors					
YU Lai Si	2/2	9/9			2/2
TAM Chie Sang	2/2	9/9			2/2
YU Lai Chu, Eileen	1/2	6/9			1/2
YU Kam Shui, Erastus	1/2	6/9			1/2
LAI Yin Ping	1/2	6/9			1/2
Independent Non-executive Directors					
WONG Lung Tak, Patrick, J.P.	1/2		3/4	1/1	2/2
WONG Chun Nam	2/2		4/4	1/1	2/2
WONG Chi Keung	2/2		4/4	1/1	1/2

\* comprises all executive directors of the Company

## Board Committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established two Board Committees, namely Audit Committee and Remuneration Committee. Independent non-executive directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

### Audit Committee

The Audit Committee comprises all of the three independent non-executive directors and is chaired by Mr. Wong Lung Tak, Patrick, J.P., a qualified accountant with extensive experience in financial reporting and controls. It is responsible for appointment of external auditors, review of the Group's financial information, oversee of the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's external and internal auditors. Its terms of reference are available on request.

In 2006, the Audit Committee held four meetings. At the meetings, it reviewed the final results for 2005 and the interim results for 2006 respectively with the external auditors and also the activities of the Group's internal control functions.

It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

### Remuneration Committee

To comply with the CG Code, a Remuneration Committee was established on 26<sup>th</sup> June 2006. The members of the Remuneration Committee comprise all independent non-executive directors of the Company and the Group's Senior Human Resources Manager, Ms. Lau Mei Yin, Ivy, and is chaired by Mr. Wong Chun Nam.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee shall meet at least once every year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters.

During the year ended 30<sup>th</sup> September 2006, one Remuneration Committee meeting was held.



## Auditors' Remuneration

PricewaterhouseCoopers has been re-appointed as the independent auditors of the Company by Shareholders at the last Annual General Meeting.

The remuneration paid to the Group's independent auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is broken down below:

<i>(In HK\$'000)</i>	2006	2005
Statutory audit	1,230	1,186
Non-audit services	418	247
Total	1,648	1,433

The non-audit services mainly comprised tax advisory services.

The responsibilities of the independent auditors with respect to the 2006 financial statements are set out in the section "Auditors' Report" on pages 28 to 29.

## Directors' Responsibility for the Financial Statements

The directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

## Internal Control

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its 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 with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

## Model Code for 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. Following a specific enquiry, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the year.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.