

The Company recognises that good corporate governance standards maintained throughout the Group serve as an effective risk management for the Company. The Board of Directors (the “Board”) of the Company is committed to lead the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard.

## (1) CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year under review with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which were in force prior to 1 January 2005, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s bye-laws (the “Bye-Laws”).

The Code on Corporate Governance Practices as promulgated by the Stock Exchange became effective on 1 January 2005, which provides the Code Provisions (the “CP”) and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the requirements of the CP. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate.

## (2) CORPORATE MANAGEMENT

### i. Board of Directors

The Board reviews and approves corporate matters such as business strategies and investments, mergers and acquisitions, as well as the general administrative and management of the Group.

The Board currently consists of 3 executive directors, 1 non-executive director, and 3 independent non-executive directors:

#### *Executive directors*

Mr. Too Shu Wing (*Chairman*)

Mr. Yan Wa Tat

Mr. Tai King Foon

#### *Non-executive director*

Mr. Lee Man Fa

#### *Independent non-executive directors*

Mr. Liu Kwok Wah

Mr. Tsui Pak Hang

Mr. Chan Wai Ming

The number of independent non-executive directors exceeds one third of the Board membership. The Board membership is covered by professionally qualified and widely experienced personnel so as to bring in valuable contribution and different professional advices and consultancy for the development of the Company. More than one-half of the Board members have recognised professional legal, securities, tax and accounting qualifications.

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All directors have access to the services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Any director, Audit Committee and Remuneration Committee of the Company may take independent professional advice if they so wish at the expense of the Company, as arranged by the Company Secretary.

During the year ended 30 September 2006, 29 Board Meetings have been held. Details of the attendance of the directors are as follows:

	Number of Board Meetings attended/ Number of Board Meetings held		
	Board	Audit Committee	Remuneration Committee
<b>Executive directors</b>			
Mr. Too Shu Wing	11/29	0/2	0/1
Mr. Yan Wa Tat	27/29	0/2	0/1
Mr. Tai King Foon	26/29	0/2	0/1
Mr. Kwok Ming Fai (resigned on 14 August 2006)	17/29	0/2	0/1
Mr. Lo Chi Fai (resigned on 10 November 2006)	04/29	0/2	0/1
<b>Non-executive director</b>			
Mr. Lee Man Fa (re-designated as a non-executive director on 16 October 2006)	23/29	0/2	0/1
<b>Independent non-executive directors</b>			
Mr. Tsui Pak Hang	06/29	0/2	1/1
Mr. Liu Kwok Wah	08/29	2/2	1/1
Mr. Chan Wai Ming	06/29	0/2	1/1
Mr. Leung Sai Cheong (resigned on 28 August 2006)	03/29	2/2	0/1
Mr. Wong Chi Chung (resigned on 28 August 2006)	00/29	1/2	0/1

Pursuant to Bye-Law 86, any Director appointed to fill a casual vacancy on the Board shall hold office only until the next following general meeting of the Company, and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such Directors shall then be eligible for re-election.

Further, pursuant to Bye-Law 87, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election.

In accordance with Bye-Law 86, Mr. Too Shu Wing, Mr. Chan Wai Ming and Mr. Tsui Pak Hang shall retire from their offices by rotation at the annual general meeting. Being eligible, Mr. Too Shu Wing will offer himself for re-election as executive director and Mr. Chan Wai Ming and Mr. Tsui Pak Hang will offer themselves for re-election as independent non-executive directors. At the annual general meeting, an ordinary resolution will be proposed to re-elect Mr. Too Shu Wing as executive director and each of Mr. Chan Wai Ming and Mr. Tsui Pak Hang as independent non-executive directors.

In accordance with Bye-Law 87, Mr. Liu Kwok Wah shall retire from his office as executive director. Being eligible, Mr. Liu Kwok Wah will offer himself for re-election as executive director.

## ii. Other Committees

There are two committees established under the Board, namely the Audit Committee and the Remuneration Committee.

### (a) *Audit Committee*

The Audit Committee comprises of three independent non-executive directors of the Company, one of whom possesses recognised professional qualification in finance and accounting and another one possesses professional qualification in law and both have proven experience in audit, finance and accounting. The committee is chaired by the members on rotation.

The functions of the Audit Committee includes but not limited to the following:

- Considering and reviewing the appointment, resignation and removal of external auditors and their fees
- Reviewing the interim and annual results of the Group
- Discussing with the external auditors problems and issues of significance during the annual audit of the Group
- The terms of reference of the Audit Committee follow the guidelines set out by The Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the CP

The works of the Audit Committee during the year under review included:

- Reviewed the 2006 interim results and annual results of the Group
- Discussed with the management of the Company over the completeness, fairness and adequate accounting standards and policies of the Group in the preparation of the 2006 interim and annual financial statements
- Reviewed and discussed with the external auditors over the financial report of the Company
- Recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors

The Audit Committee met twice in 2006. Each committee meeting was supplied with the necessary financial information of the Group for the members to consider, review and assess matters of significance arising from the work conducted.



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(b) *Remuneration Committee*

The Remuneration Committee consists of three independent non-executive directors. The committee is chaired by the members on rotation.

The terms of reference of the Remuneration Committee follow with the CP. The committee meets at least once a year.

The Remuneration Committee is to consider and approve the remuneration plans and policies for all executive directors of the Company and senior management of the Group by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong.

The Remuneration Committee met once in 2006. The meeting was supplied with the necessary information on specific remuneration package of directors and senior management of the Group for the members to consider, review and make recommendation to the Board on the remuneration policy.

### (3) **CORPORATE COMMUNICATION**

The Company channels corporate information of the Group to the shareholders in a timely and accurate manner. Printed copies of the Annual Report 2005 and Interim Report 2006 are sent to all shareholders.

The Company held an annual general meeting and a special general meeting in 2006. At the annual general meeting convened on 24 March 2006, separate resolutions were proposed for the ordinary business of the Company. At the special general meeting held on 18 July 2006, an ordinary resolution was passed in regard to the major transaction of the Company. Details of the major transaction are disclosed in the circular dated 3 July 2006 of the Company.

### (4) **CORPORATE CONTROL**

The Board has overall responsibility in monitoring the process of corporate reporting and control system throughout the Group. The corporate reporting standards are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance and other applicable regulations are delegated to the company secretarial department. The management of the Company reviews and briefs the reporting systems with the executive directors regularly and the Audit Committee and Remuneration Committee annually.

Every newly appointed director of the Company was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company, in particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his appointment with the Company.

The Company has adopted a code of conduct (the "Company's Code") regarding securities transactions by directors and employees of the Group based on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. A copy of the Company's Code was sent to each director and the relevant employees of the Group who are required to be provided under the Company's Code. All the directors have confirmed that they have complied with the required standards set out in the Company's Code.