

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

During the financial year ended 31 July 2006, the Company complied with the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for certain areas of non-compliance that are discussed later in this report.

## MODEL CODE FOR DIRECTORS' 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 of the Listing Rules. Upon enquiry by the Company, all directors of the Company (the "Directors") have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 July 2006.

## BOARD OF DIRECTORS

### Composition and role

The board of directors (the "Board") of the Company comprises:

#### *Executive Directors:*

Leung Yu Oi Ling, Irene

Leung Chi Yin, Gillian

Leung Chi Hong, Jerry (appointed on 1 October 2006)

Lee Ka Lun, Stephen (resigned on 1 October 2006)

#### *Independent Non-Executive Directors:*

Yuen Ming Fai, Matthew

Pao Ping Wing

Tse Mei Ha

The Board has six members, whose biographical details we set into the "Directors' Biographies" of this annual report. Three of the Directors are Independent Non-Executive Directors and other three are Executive Directors. Three Independent Non-Executive Directors have no relationship between members of the Board. The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans, review management performance and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations.

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The Board responsibility to promote the Company by directing and supervising its affairs in a responsible and effectiveness manner. Each director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all members for the manner which the affairs of the Company are managed, controlled and operated.

The Board meets regularly during the year. The following table shows the attendance of Directors at meetings during the year:

Directors	Board	Meetings Attended/Held		Annual General Meeting
		Audit Committee	Remuneration Committee	
<i>Executive Directors</i>				
Leung Yu Oi Ling, Irene	4/4	–	–	1/1
Leung Chi Yin, Gillian	4/4	–	–	1/1
Lee Ka Lun, Stephen*	4/4	–	3/3	1/1
Leung Chi Hong, Jerry#	–	–	–	–
<i>Independent Non-Executive Directors</i>				
Yuen Ming Fai, Matthew	4/4	2/2	3/3	1/1
Pao Ping Wing	3/4	2/2	3/3	1/1
Tse Mei Ha	4/4	2/2	2/3	0/1

\* Resigned on 1 October 2006

# Appointed on 1 October 2006

## APPOINTMENT, RE-ELECTION AND REMOVAL

The code provision A.4.1 provides that non-executive director should be appointed for a specific term, subject to re-election. None of the existing Independent Non-Executive Directors of the Company is appointed for a specific term. However, all the Independent Non-Executive Directors are subject to retirement by rotation at each annual general meeting under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Unlike other directors, chairman is not subject to retirement by rotation.



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## AUDIT COMMITTEE

The Audit Committee is mainly responsible for providing an independent review and supervision of the financial reporting process and the Group's internal control systems.

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Mr Pao Ping Wing, JP and Ms Tse Mei Ha, in which Mr Pao Ping Wing, JP is the chairman of the Audit Committee. The Audit Committee held two meetings during the year with attendance rate of 100%.

At the Audit Committee meeting on 5 October 2005, the Audit Committee reviewed the Company's financial statements for the year ended 31 July 2005 and the annual results announcement with a recommendation to the Board for approval.

At the Audit Committee meeting on 12 April 2006, the Audit Committee reviewed the financial statements for the six months period ended 31 January 2006 and the interim results announcement with a recommendation to the Board for approval.

The Group's audited financial statement for the year ended 31 July 2006 has been duly reviewed by the Audit Committee. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the auditors – CCIF CPA Limited ("CCIF") and therefore recommended the Board that CCIF be re-appointed as the Company's auditor in forthcoming annual general meeting.

## REMUNERATION COMMITTEE

The Company has established Remuneration Committee with written terms of reference as stated in Code B.1.3 of the Appendix 14 of the Listing Rules. The Remuneration Committee consists of three Independent Non-Executive Directors and one Executive Director, in which Prof. Yuen Ming Fai is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the senior management. Remuneration and the employment contracts of new appointing directors will be reviewed and approved by the Remuneration Committee.

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## INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the management of the Company and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statement on a going concern basis. The Directors also acknowledge that the publication of the consolidated financial statements shall be distributed to the members of the Company in a timely manner.