

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining high standards of corporate governance. The directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year, the Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules, except for the deviations from code provisions A.1.1, A.4.1, A.4.2 and E.1.2 as stated and explained below.

### DIRECTORS' SECURITIES TRANSACTIONS

During the year, the Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors, the Company has obtained their confirmations on the compliance with the Model Code.

### BOARD OF DIRECTORS

The Board comprises eight directors, of which five are executive directors and three are independent non-executive directors. The members of the Board as at the date of this annual report are as follows:

#### Executive directors

Mr. Hung Kai So (*Chairman*)  
Mr. Kam Ioi (*Managing Director*)  
Mr. Chan Yuk Tong  
Mr. Ma Yufeng  
Mr. Liu Jun

#### Independent non-executive directors

Mr. Yuan Tsu I  
Professor Li Li Te  
Mr. Chan Chiu Hung Alex

The Board assumes responsibility for leadership and control of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board formulates overall strategies and policies of the Group and monitors the performance and activities of the management. With delegating authorities from the Board, the management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Managing Director.

### 企業管治常規

本公司一直致力建立及維持高水平的企業管治。本公司董事相信穩健及合理之企業管治常規對本集團增長以及保障和擴大股東權益實屬必要。

年內，本公司已應用上市規則附錄十四企業管治常規守則（「守則」）所載的原則，並已遵守守則內的守則條文，惟偏離下文所述及闡釋之守則條文第A.1.1, A.4.1, A.4.2及E.1.2條則除外。

### 董事的證券交易

年內，本公司自行採納了上市規則附錄十所載的標準守則為本公司董事證券交易之守則。在向全體董事作出指定的諮詢後，本公司取得全體董事確認已遵守標準守則。

### 董事會

董事會由八名董事組成，其中五名為執行董事，三名為獨立非執行董事。於本年報日期，董事會成員如下：

#### 執行董事

洪繼蘇先生 (*主席*)  
金銳先生 (*董事總經理*)  
陳育棠先生  
馬余鋒先生  
劉俊先生

#### 獨立非執行董事

袁祖怡先生  
李里特教授  
陳釗洪先生

董事會負有領導及監控本公司之責任，並集體負責統管及監督本公司事務以促使本公司成功發展。董事會制定本集團的整體策略及政策，並監察管理層之表現及運作。本公司管理層獲董事會授權，負責在董事總經理之領導下管理本集團日常業務。



To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board and in particular, between the Chairman and the Managing Director.

Under code provision A.1.1 of the Code, at least four regular board meetings should be held a year at approximately quarterly intervals with active participation of a majority of directors of the Company, either in person or through other electronic means of communication. As the Company did not announce its quarterly results, two regular board meetings were held during the year for reviewing and approving the interim and annual financial performance of the Group. Board meetings will be held on other occasions when board decisions are required.

During the year, six full board meetings (including two regular board meetings) were held and the individual attendance of each director at the board meetings was as follows:

Directors	Attendance	董事	出席率
<i>Executive directors</i>		<i>執行董事</i>	
Mr. Hung Kai So (Chairman)	6/6	洪繼蘇先生 (主席)	6/6
Mr. Kam Ioi (Managing Director)	5/6	金銳先生 (董事總經理)	5/6
Mr. Chan Yuk Tong (appointed on 30 September 2005)	5/5	陳育棠先生 (於二零零五年九月三十日獲委任)	5/5
Mr. Ma Yufeng	4/6	馬余鋒先生	4/6
Mr. Liu Jun	5/6	劉俊先生	5/6
<i>Non-executive director</i>		<i>非執行董事</i>	
Mr. Lee Kwok Ming (resigned on 5 January 2006)	0/3	李國明先生 (於二零零六年一月五日辭任)	0/3
<i>Independent non-executive directors</i>		<i>獨立非執行董事</i>	
Mr. Yuan Tsu I	6/6	袁祖怡先生	6/6
Professor Li Li Te	3/6	李里特教授	3/6
Mr. Chan Chiu Hung Alex (appointed on 5 January 2006)	2/3	陳釗洪先生 (於二零零六年一月五日獲委任)	2/3
Mr. Yick Wing Fat Simon (resigned on 1 February 2006)	3/4	易永發先生 (於二零零六年二月一日辭任)	3/4

For a regular board meeting, notice of at least fourteen days is given to all directors of the Company, who are given an opportunity to include matters in the agenda for discussion, and an agenda and accompanying board papers are sent to all directors of the Company at least three days before the intended date of a regular board meeting.

Minutes of board meetings and meetings of board committees are kept by the secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director of the Company. Draft and final versions of minutes of board meetings are sent to all directors of the Company for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

Appropriate insurance cover has been arranged in respect of legal action against the directors and officers of the Group.

就本公司所深知，董事會成員之間 (特別是主席與董事總經理之間) 概無存有財務、業務、家屬或其他重大／相關之關係。

根據守則的守則條文第A.1.1條，本公司應每年召開至少四次董事會定期會議，大約每季一次，而本公司大部份董事須親身出席，或透過其他電子通訊方法積極參與。本公司並無宣佈其季度業績，故此年內召開了兩次董事會定期會議，以審閱及批准本集團中期及年度財務表現。董事會將於其他事宜需要董事會作出決定時召開董事會會議。

年內，本公司召開了六次全體董事會會議 (包括兩次董事會定期會議)，而每名董事於董事會會議的出席率如下：

就董事會定期會議，本公司全體董事均獲發至少十四天通知，並皆有機會提出商討事項列入會議議程，而會議議程及相關會議文件至少在計劃舉行董事會定期會議日期之三天前送交本公司全體董事。

董事會及其轄下委員會的會議紀錄由公司秘書備存，若有本公司任何董事發出合理通知，可在任何合理之時段查閱有關會議紀錄。董事會會議結束後，於合理時段內先後將會議紀錄的初稿及最終定稿發送本公司全體董事，初稿供董事表達意見，最後定稿則作其紀錄之用。

本公司已就本集團董事及高級職員可能會面對之法律行動作適當的投保安排。



### CHAIRMAN AND MANAGING DIRECTOR

The Chairman and Managing Director of the Company is Mr. Hung Kai So and Mr. Kam Ioi, respectively. The roles of the Chairman and Managing Director are segregated and are not exercised by the same individual to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the management of the Board and the Managing Director is responsible for the day-to-day management of the Company's business.

### NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

The non-executive director and the independent non-executive directors of the Company (other than Mr. Yuan Tsu I) were not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

Mr. Yuan Tsu I, the independent non-executive director, has entered into a non-executive director's contract with the Company for an initial fixed period of one year commencing on 10 February 2003. The contract will continue thereafter for further successive periods of one year, provided that the Company may terminate the appointment at the end of each one-year period by giving to the director at least one month's written notice thereof.

### REMUNERATION OF DIRECTORS

The remuneration committee of the Company was established on 21 March 2005 with specific written terms of reference and comprises three independent non-executive directors of the Company, namely Mr. Yuan Tsu I (the chairman of the committee), Professor Li Li Te and Mr. Chan Chiu Hung Alex.

The role and function of the remuneration committee primarily include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management.

### 主席及董事總經理

洪繼蘇先生及金銳先生分別為本公司主席及董事總經理。主席及董事總經理之角色是分開以及並非由同一名人士出任，以確保其各自的獨立、問責及責任性。主席負責董事會之經營管理，而董事總經理負責本公司業務之日常管理。

### 非執行董事

根據守則的守則條文第A.4.1條，非執行董事之委任應有指定任期，並須接受重選。

本公司非執行董事及獨立非執行董事（袁祖怡先生除外）之委任並無設有指定任期，惟須根據本公司組織章程細則的規定於本公司股東週年大會上輪流退任及接受重選。

獨立非執行董事袁祖怡先生已與本公司訂立非執行董事合約，自二零零三年二月十日起計初步固定為期一年；其後除非本公司於各為期一年之年期結束時向董事發出至少一個月書面通知以終止委任，否則合約可連續續約一年。

### 董事薪酬

本公司薪酬委員會於二零零五年三月二十一日設立，具有特定成文權責範圍，並由本公司三名獨立非執行董事組成，分別為袁祖怡先生（委員會主席）、李里特教授及陳釗洪先生。

薪酬委員會主要角色及職能包括審閱、考慮及批准有關董事及高級管理層薪酬的建議，以及向董事會就本公司有關董事及高級管理層薪酬的政策及架構提供建議。



During the year, three meetings were held by the remuneration committee to consider and approve the terms of the service agreements made with executive director and senior management, and discuss remuneration related matters. The individual attendance of each member at the remuneration committee meetings was as follows:

Members	Attendance	成員	出席率
Mr. Yuan Tsu I ( <i>chairman of the committee</i> )	3/3	袁祖怡先生 ( <i>委員會主席</i> )	3/3
Professor Li Li Te	2/3	李里特教授	2/3
Mr. Chan Chiu Hung Alex ( <i>appointed on 5 January 2006</i> )	1/1	陳釗洪先生 ( <i>於二零零六年一月五日獲委任</i> )	1/1
Mr. Yick Wing Fat Simon ( <i>resigned on 1 February 2006</i> )	2/2	易永發先生 ( <i>於二零零六年二月一日辭任</i> )	2/2

## NOMINATION OF DIRECTORS

The Board is empowered under the articles of association of the Company to appoint any person as a director of the Company either to fill a casual vacancy or as an addition to the existing Board. No nomination committee was established by the Company in view of the small size of the Board. The Board as a whole is responsible for considering the suitability of an individual to act as a director of the Company, and approving and terminating the appointment of a director of the Company.

The executive directors of the Company are responsible for selecting and recommending suitable candidates for members of the Board based on their characters, qualifications, experience and background, when there is a vacancy or an additional director is considered necessary. The recommendations of the executive directors are then put forward for consideration by the Board.

During the year, the executive directors recommended two candidates for the appointments to the Board.

During the year, three meetings were held by the Board to consider and approve the appointments and resignations of directors of the Company. The attendances of the meetings comprised a majority of the executive directors and independent non-executive directors, with no director being involved in fixing his own terms of appointment and no independent non-executive director being involved in assessing his own independence. All such appointments and resignations are unanimously resolved by the members of the Board attending at the meetings.

年內，薪酬委員會召開了三次會議，以考慮及批准與執行董事和高級管理層訂立之服務協議條款，並討論薪酬相關事宜。每名成員於薪酬委員會會議之出席率如下：

## 董事提名

董事會獲本公司組織章程細則授權委任任何人士為本公司董事，以填補臨時空缺或增聘現時董事會成員。基於董事會規模不大，本公司並無設立提名委員會。董事會全面負責考慮個別人士是否勝任本公司董事一職，並負責批准及終止本公司董事委任。

本公司執行董事負責根據候選人的品格、資歷、經驗及背景挑選及推薦合適人選出任董事，以填補空缺或在有需要時新增董事名額。執行董事的推薦其後呈交董事會考慮。

年內，執行董事推薦兩名候選人加入董事會。

年內，董事會召開了三次會議，以考慮及批准本公司董事之委任及辭任。大部份執行董事及獨立非執行董事均有出席該等會議，且概無董事參與釐定本身的委任條款，亦無獨立非執行董事參與評核本身的獨立性。出席該等會議之董事會成員一致決議通過全部該等委任及辭任。





# CORPORATE GOVERNANCE REPORT

## 企業管治報告

The individual attendance of each director at the board meetings was as follows:

每名董事於董事會會議的出席率如下：

Directors	Attendance	董事	出席率
Mr. Hung Kai So	3/3	洪繼蘇先生	3/3
Mr. Kam Ioi	3/3	金銳先生	3/3
Mr. Chan Yuk Tong (appointed on 30 September 2005)	2/2	陳育棠先生 (於二零零五年九月三十日獲委任)	2/2
Mr. Ma Yufeng	3/3	馬余鋒先生	3/3
Mr. Liu Jun	2/3	劉俊先生	2/3
Mr. Lee Kwok Ming (resigned on 5 January 2006)	0/1	李國明先生 (於二零零六年一月五日辭任)	0/1
Mr. Yuan Tsu I	2/3	袁祖怡先生	2/3
Professor Li Li Te	1/3	李里特教授	1/3
Mr. Chan Chiu Hung Alex (appointed on 5 January 2006)	1/1	陳釗洪先生 (於二零零六年一月五日獲委任)	1/1
Mr. Yick Wing Fat Simon (resigned on 1 February 2006)	1/2	易永發先生 (於二零零六年二月一日辭任)	1/2

Under code provision A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

根據守則的守則條文第A.4.2條，所有為填補臨時空缺而獲委任的董事應在接受委任後之首次股東大會上接受股東選舉，而每名董事(包括有指定任期的董事)應輪流退任，至少每三年一次。

The Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation or be taken into account in determining the number of directors to retire at the annual general meeting of the Company held on 25 November 2005 in accordance with article 87(1) of the articles of association of the Company before amendment. To comply with the code provision A.4.2 of the Code, the Company passed a special resolution at the annual general meeting of the Company held on 25 November 2005 to amend its articles of association so that all directors (including the Chairman of the Board and the Managing Director of the Company) are now subject to retirement by rotation at least once every three years, and all directors appointed to fill a casual vacancy are now subject to election by shareholders at the first general meeting after their appointment.

根據修訂前本公司組織章程細則第87(1)條之規定，董事會主席及本公司董事總經理於二零零五年十一月二十五日舉行之股東週年大會上毋須輪流退任，亦毋須計入須退任的董事人數內。為了遵守守則之守則條文第A.4.2條，本公司於二零零五年十一月二十五日舉行之股東週年大會上通過一項特別決議案，以修訂公司組織章程細則，使全體董事(包括董事會主席及本公司董事總經理)現時須至少每三年輪流退任一次，以及所有為填補臨時空缺而獲委任之董事現時須在接受委任後的首次股東大會上接受股東選舉。

### AUDITORS' REMUNERATION

An amount of approximately HK\$0.44 million was charged to the Group's consolidated income statement for the year ended 30 June 2006 for audit services provided by Messrs. Grant Thornton. There were no significant non-audit services provided by Messrs. Grant Thornton during the year.

### 核數師酬金

由本公司現時所提供的一筆約44萬港元之核數服務款額於本集團截至二零零六年六月三十日止年度的綜合收益表扣除。年內，均富會計師行並沒有提供重大非核數服務。



## AUDIT COMMITTEE

The audit committee of the Company was established on 18 January 2002 with written terms of reference which were revised on 21 March 2005 in compliance with the code provision C.3.3 of the Code. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Chan Chiu Hung Alex (chairman of the committee), Mr. Yuan Tsu I and Professor Li Li Te. Mr. Chan Chiu Hung Alex possesses appropriate professional accounting qualifications and related financial management expertise as required under rule 3.10(2) of the Listing Rules.

The primary duties of the audit committee include the review and supervision of the financial reporting process and internal control system, and the review of the interim and annual reports of the Group.

During the year, two meetings were held by the audit committee to review the annual report of the Group for the year ended 30 June 2005 and the interim report of the Group for the six months ended 31 December 2005 before submission to the Board for approval, and to provide advice and comments thereon to the Board. The individual attendance of each member at the audit committee meetings was as follows:

Members	Attendance
Mr. Chan Chiu Hung Alex (appointed on 5 January 2006 and acted as chairman of the committee on 1 February 2006)	1/1
Mr. Yuan Tsu I	2/2
Professor Li Li Te	1/2
Mr. Yick Wing Fat Simon (resigned and ceased as chairman of the committee on 1 February 2006)	1/1

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES ON THE ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts of the Group for the year ended 30 June 2006.

The statement by Messrs. Grant Thornton, the existing external auditors of the Company, about their reporting responsibilities on the accounts of the Group is set out in the Report of the Auditors on pages 31 and 32.

As at 30 June 2006, the directors of the Company confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors of the Company have prepared the accounts of the Group on a going concern basis.

## 審核委員會

本公司審核委員會於二零零二年一月十八日設立，為符合守則的守則條文第C.3.3條，其書面職權範圍於二零零五年三月二十一日作出修訂。審核委員會由本公司三名獨立非執行董事組成，分別為陳釗洪先生(委員會主席)、袁祖怡先生及李里特教授。如上市規則第3.10(2)條所規定，陳釗洪先生具備適當專業會計資格及有關財務管理專長。

審核委員會的主要職責包括檢討及監察本集團的財務匯報程序及內部監控系統，並審閱本集團的中期及年度報告。

年內，審核委員會召開了兩次會議，以在提交董事會審批前，審閱本集團截至二零零五年六月三十日止年度之年報及截至二零零五年十二月三十一日止六個月之中期報告，以及就此向董事會提供相關建議及意見。每名成員於審核委員會會議之出席率如下：

成員	出席率
陳釗洪先生 (於二零零六年一月五日獲委任且於二零零六年二月一日出任委員會主席)	1/1
袁祖怡先生	2/2
李里特教授	1/2
易永發先生 (於二零零六年二月一日辭任及停任委員會主席)	1/1

## 董事及核數師對賬目的責任

本公司董事承認彼等負有編製本集團截至二零零六年六月三十日止年度賬目之責任。

本公司現時外聘核數師均富會計事行就彼等對本集團賬目發表有關其申報責任之聲明載於第31及32頁的核數師報告書內。

於二零零六年六月三十日，本公司董事確認，據彼等作出一切合理查詢後所深知、得悉及確信，彼等並不知悉有任何重大不明朗事件或情況可能會嚴重影響本公司持續經營的能力。因此，本公司董事已按持續經營基準編製本集團賬目。



### INTERNAL CONTROL

The Board has the responsibility to ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Company's assets. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and the management rather than elimination of risks associated with the business activities of the Group.

### COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The directors of the Company host the annual general meeting each year to meet the shareholders and answer their enquiries.

Under code provision E.1.2 of the Code, the Chairman of the Board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at, the annual general meeting of the Company.

The Chairman of the Board and the chairman of the remuneration committee were unable to attend the annual general meeting of the Company held on 25 November 2005 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and has also arranged for the chairman of the audit committee to be available to answer questions at the annual general meeting on behalf of the chairman of the remuneration committee.

### 內部監控

董事會有責任確保本公司的內部監控系統穩健妥善而且有效，以保障股東的投資及本公司之資產。內部監控系統旨在就是否存在重大錯誤陳述或損失，作出合理但不絕對的確定，並會管理而非消除與本集團業務活動有關的風險。

### 與股東的溝通

董事會致力與股東持續保持對話，尤其是藉股東週年大會或其他全體會議與股東溝通及鼓勵他們的參與。

本公司董事每年主持股東週年大會，會見股東並回答股東的詢問。

根據守則的守則條文第E.1.2條，董事會主席應出席本公司股東週年大會，而審核委員會及薪酬委員會主席應在本公司股東週年大會上回答提問。

董事會主席及薪酬委員會主席未能親身出席本公司於二零零五年十一月二十五日舉行之股東週年大會，但董事會主席已委任本公司其中一名執行董事代為主持，且亦已安排審核委員會主席代薪酬委員會主席在股東週年大會上回答提問。

