

## CORPORATE GOVERNANCE

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the year under review, the Company has complied with the code provisions as well as recommended best practices as set out in the Code on Corporate Governance Practices (“Code Provisions”) set out in the Rules (“Listing Rules”) Governing the Listing of Securities on the Hong Kong Stock Exchange except for the following deviations:

- A.4.1 – Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company’s Bye-laws.
- A.4.2 – The Chairman and the Group Managing Director are not, while holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in these roles and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

The Board is pleased to present the key corporate governance principles and practices implemented by the Group during the year.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group																		
A	<b>DIRECTORS</b>																				
A.1	<b>The Board</b> <i>Code Principle</i> The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company’s affairs. The Board should take decisions objectively in the interests of the issuer.																				
A.1.1	<ul style="list-style-type: none"> <li>• Regular board meetings at least four times a year.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The Board held 4 regular meetings during the year.</li> <li>• Details of Directors’ attendance records are set out below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Chung Chong (<i>Group Managing Director</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Leung Tat Yan (<i>resigned on 31 December 2007</i>)</td> <td style="text-align: right;">1/4</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Non-executive Directors</u></th> <th style="text-align: right;"></th> </tr> <tr> <td>Leung Churk Yin, Jeanny (<i>re-designated as an Independent Non-executive Director on 19 September 2008</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Lucas A. M. Laureys</td> <td style="text-align: right;">1/4</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">3/4</td> </tr> </tbody> </table> </li> </ul>	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu ( <i>Chairman</i> )	4/4	Wong Chung Chong ( <i>Group Managing Director</i> )	4/4	Leung Tat Yan ( <i>resigned on 31 December 2007</i> )	1/4	 		<u>Non-executive Directors</u>		Leung Churk Yin, Jeanny ( <i>re-designated as an Independent Non-executive Director on 19 September 2008</i> )	4/4	Lucas A. M. Laureys	1/4	Herman Van de Velde	3/4
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			<p><i>Independent</i></p> <p><i>Non-executive Directors</i></p> <p>Marvin Bienenfeld 4/4</p> <p>Chow Yu Chun, Alexander 4/4</p> <p>Leung Ying Wah, Lambert 3/4</p> <p>Lin Sun Mo, Willy 4/4</p>
A.1.2	<ul style="list-style-type: none"> <li>All directors be given an opportunity to include matters in the agenda for regular board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda.</li> </ul>
A.1.3	<ul style="list-style-type: none"> <li>Notice of at least 14 days be given for regular board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>At least 14 days formal notice is given before each regular meeting.</li> </ul>
A.1.4	<ul style="list-style-type: none"> <li>Access to advice and services of the company secretary</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.</li> <li>Directors have direct access to the Company Secretary.</li> </ul>
A.1.5	<ul style="list-style-type: none"> <li>Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary is responsible for taking minutes of Board meetings and Board Committee meetings. Such minutes are open for inspection by Directors.</li> </ul>
A.1.6	<ul style="list-style-type: none"> <li>Minutes should record in sufficient detail the matters considered by the board and decisions reached.</li> <li>Draft and final version of minutes should send to all directors for comments within a reasonable time.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Minutes recorded in sufficient detail matters considered and decisions reached.</li> <li>Directors are given an opportunity to comment on draft Board minutes which are sent to Directors within a reasonable time (generally within 14 days) of the relevant meeting.</li> </ul>

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A.1.7	<ul style="list-style-type: none"> <li>Agreed procedure for directors to seek independent professional advice at the company's expense.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company.</li> </ul>
A.1.8	<ul style="list-style-type: none"> <li>If a substantial shareholder or a director has a conflict of interest in a material matters, a physical board meeting be held.</li> <li>Independent non-executive directors who have no material interest in the transaction be present at such meeting.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There is a prescribed list of matters reserved for Board decision which includes approval of material connected transactions and matters involving a conflict of interest for a substantial shareholder or Director.</li> <li>Such matters are considered at a full Board meeting. The Company's Bye-laws provide for voting and quorum requirements conforming with Code Provisions.</li> </ul>
<b>Recommended Best Practices</b>			
A.1.9	<ul style="list-style-type: none"> <li>Appropriate insurance cover in respect of legal action against directors.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There is in place appropriate insurance covering Directors' and Officers' liability.</li> </ul>
A.1.10	<ul style="list-style-type: none"> <li>Board committees shall adopt broadly the same principles and procedures.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board Committee principles and procedures conform to the above.</li> </ul>
A.2	<p><b>Chairman and Chief Executive Officer</b>  <i>Code Principle</i>            There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the issuer to ensure a balance of power and authority.</p>		
A.2.1	<ul style="list-style-type: none"> <li>Roles of chairman and chief executive officer should be separate;</li> <li>Division of responsibilities between chairman and chief executive officer should be clearly established and set out in writing.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The positions of the Chairman and the Group Managing Director are held by separate individuals.</li> <li>The Chairman focuses on Group strategic and Board issues. The Group Managing Director has overall Chief Executive responsibility for Group operations and development generally.</li> </ul>

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A.2.2	<ul style="list-style-type: none"> <li>The chairman should ensure that all directors are properly briefed on issues arising at board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman, with the support of Executive Directors and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities.</li> <li>Board meetings are structured to encourage open discussion and frank debate.</li> </ul>
A.2.3	<ul style="list-style-type: none"> <li>The chairman should be responsible for ensuring that directors receive adequate information, which is complete and reliable in a timely manner.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers are normally sent to Directors at least three days before Board meetings.</li> </ul>
<i>Recommended Best Practices</i>			
A.2.4 to A.2.9	<p>Various recommended roles for chairman including:</p> <ul style="list-style-type: none"> <li>Drawing up and approving agenda for each board meeting</li> <li>Ensuring establishment of good corporate governance practices and procedures.</li> <li>Ensuring effective communication between the Board and shareholders</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman, together with the Company Secretary, draws up agenda for each Board meeting after consultation with the relevant parties.</li> <li>The Chairman plays a key role in driving corporate governance development.</li> <li>General meetings are held at least once a year in which the Chairman and the Group Managing Director are present to answer any questions from shareholders. Shareholders can also access the Company's latest information by visiting the Company's website (<a href="http://www.topformbras.com">www.topformbras.com</a>).</li> </ul>

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Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.3	<p><b>Board Composition</b></p> <p><i>Code Principle</i></p> <p>The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors so that independent judgments can effectively be exercised.</p>		
A.3.1	<ul style="list-style-type: none"> <li>Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The composition of the Board represents a well balanced mixture of skills and experience appropriate for the requirements of the business of the Company.</li> <li>Review of the Board composition is made regularly.</li> <li>The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management".</li> </ul>
<i>Recommended Best Practices</i>			
A.3.2	<ul style="list-style-type: none"> <li>Independent non-executive directors should represent at least one-third of the board</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Board comprises two Executive Directors, three Non-executive Directors and four Independent Non-executive Directors.</li> <li>The company complies with this practice.</li> </ul>
A.3.3	<ul style="list-style-type: none"> <li>Maintain on the website an updated list of directors identifying their role and function and (where applicable) independence.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Biographies and designations are included on the Company's website and are updated annually.</li> </ul>

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A.4	<p><b>Appointments, Re-election and Removal</b></p> <p><i>Code Principle</i></p> <p>These should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.</p>		
A.4.1	<ul style="list-style-type: none"> <li>• Non-executive directors should be appointed for a specific term and subject to re-election.</li> </ul>	<i>Deviation explained</i>	<ul style="list-style-type: none"> <li>• Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.</li> </ul>
A.4.2	<ul style="list-style-type: none"> <li>• All directors appointed to fill a casual vacancy should be subject to election by shareholders at the next general meeting after their appointment.</li> </ul>		<ul style="list-style-type: none"> <li>• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next general meeting following their appointment.</li> </ul>
	<ul style="list-style-type: none"> <li>• Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</li> </ul>	<i>Deviation explained</i>	<ul style="list-style-type: none"> <li>• Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Chairman and the Group Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.</li> </ul> <p>In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.</p>

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<i>Recommended Best Practices</i>			
A.4.3	<ul style="list-style-type: none"> <li>Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company strongly supports the principle of Board independence.</li> <li>Mr. Marvin Bienenfeld and Mr. Chow Yu Chun, Alexander have served the Board for more than nine years and have consistently demonstrated their willingness to exercise independent judgements and provide objective challenges to management.</li> <li>Both have actively participated in board meetings and board committee meetings held during the year.</li> <li>Therefore, the Board considers that they remain independent, notwithstanding the length of their tenure.</li> </ul>
A.5	<p><b>Responsibilities of Directors</b> <i>Code Principle</i> All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.</p>		
A.5.1	<ul style="list-style-type: none"> <li>Every newly appointed director should receive a comprehensive, formal induction to ensure that he has a proper understanding of the business; his responsibilities under the listing rules, applicable regulatory requirements, business and governance policies of the issuer.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman and Company Secretary will usually brief the newly appointed Director for the duties and responsibilities he/she may perform as a Director of the Company and other regulatory requirements he/she may observe.</li> <li>Non-executive Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions.</li> <li>The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.</li> </ul>

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A.5.2	<ul style="list-style-type: none"> <li>• Function of non-executive directors include:               <ul style="list-style-type: none"> <li>– participate in board meetings and bring an independent judgment to the board</li> <li>– take the lead where potential conflicts of interest arise</li> <li>– serve on committees if invited</li> <li>– scrutinise the issuer's performance</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>• Non-executive Directors seek guidance and direction from the Chairman and the Group Managing Director on the future business direction and strategic plans so as to gain a comprehensive understanding of the business of the Company to exercise their independent judgment.</li> <li>• Non-executive Directors review the financial information and operational performance of the Group on a regular basis.</li> <li>• The Audit and Compensation Committees of the Company are wholly comprised of Non-executive Directors, with the majority being Independent non-executive Directors.</li> </ul>
A.5.3	<ul style="list-style-type: none"> <li>• Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• There was satisfactory attendance for Board and Board Committee meetings during the year.</li> </ul> <p>Pls refer to A.1.1., B.1.1 and C.3.4 for details.</p>
A.5.4	<ul style="list-style-type: none"> <li>• Directors must comply with the Model Code.</li> <li>• Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for Directors' dealings in securities of the Company.</li> </ul> <p>Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.</p> <ul style="list-style-type: none"> <li>• Employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.</li> </ul>

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<i>Recommended Best Practices</i>			
A.5.5	<ul style="list-style-type: none"> <li>Directors should participate in a programme of continuous professional development.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company supports the practice of continuous professional development. Presentations on relevant topics are organized from time to time to coincide with Board meetings.</li> </ul>
A.5.6	<ul style="list-style-type: none"> <li>Directors should disclose at the time of appointment (and at subsequent times) all offices held in other organizations and other significant commitments.</li> </ul>	✓	<ul style="list-style-type: none"> <li>On appointment Directors disclose all relevant information. This information is updated annually in the annual report.</li> </ul>
A.5.7	<ul style="list-style-type: none"> <li>Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There was satisfactory attendance for Board and Board Committee meetings during the year.</li> </ul> <p>During these meetings, there were open discussions amongst the Board and Board Committee members and constructive advice was given to the Board.</p> <p>Please refer to A.1.1., B.1.1. and C.3.4. for details.</p>
A.5.8	<ul style="list-style-type: none"> <li>Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Details on the roles and functioning of Non-executive Directors are set out above.</li> </ul>

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A.6	<p><b>Supply of and Access to Information</b></p> <p><i>Code Principle</i></p> <p>Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to discharge their duties and responsibilities.</p>		
A.6.1	<ul style="list-style-type: none"> <li>Board papers should be sent to all directors at least three days before regular board or board committee meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers are circulated not less than three days before regular Board or Board Committee meetings.</li> </ul>
A.6.2	<ul style="list-style-type: none"> <li>Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions.</li> <li>Each director should have separate and independent access to senior management.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary and Qualified Accountant is in attendance at all regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters.</li> <li>Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events.</li> </ul>
A.6.3	<ul style="list-style-type: none"> <li>Directors are entitled to have access to board papers and related materials; steps must be taken to respond to director queries promptly and fully.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers and related materials are made available for inspection by Directors and Committee members.</li> <li>The Executive Directors and Company Secretary play a leading role in ensuring that queries are answered promptly and fully.</li> </ul>

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B B.1	<p><b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT</b></p> <p><b>The Level and Make-up of Remuneration and Disclosure</b></p> <p><i>Code Principle</i></p> <p>A formal and transparent procedure should be established for setting policy on executive director remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.</p>														
B.1.1	<ul style="list-style-type: none"> <li>• Issuers should establish a remuneration committee with specific written terms of reference that deal clearly with its authority and duties. A majority of the remuneration committee should be independent non-executive directors.</li> </ul>		<ul style="list-style-type: none"> <li>• The Company established a Compensation Committee in 2001 and the majority of its members are Independent Non-executive Directors.</li> <li>• The terms of reference of the Compensation Committee, which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on the Company's website.</li> <li>• The Compensation Committee currently comprises the following members and has held two meetings during the year. Details of committee members' attendance records are set out below:- <table border="0" data-bbox="906 1285 1449 1541"> <thead> <tr> <th colspan="2" data-bbox="906 1285 1043 1317"><i>Independent</i></th> </tr> <tr> <th data-bbox="906 1323 1171 1355"><u>Non-executive Directors</u></th> <th data-bbox="1321 1323 1449 1355"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="906 1361 1257 1393">Marvin Bienenfeld (<i>Chairman</i>)</td> <td data-bbox="1401 1361 1449 1393">2/2</td> </tr> <tr> <td data-bbox="906 1400 1219 1431">Leung Ying Wah, Lambert</td> <td data-bbox="1401 1400 1449 1431">1/2</td> </tr> <tr> <td colspan="2" data-bbox="906 1473 1171 1505"><u>Non-executive Directors</u></td> </tr> <tr> <td data-bbox="906 1512 1161 1543">Herman Van de Velde</td> <td data-bbox="1401 1512 1449 1543">2/2</td> </tr> </tbody> </table> </li> <li>• The principal works performed by the Committee during the year included:- <ul style="list-style-type: none"> <li>- review of the salary and remuneration packages of Directors and senior management of the Group;</li> <li>- consideration of an external consultant's report relating to the Group's current remuneration practice and recommendation on a suitable performance management system;</li> </ul> </li> </ul>	<i>Independent</i>		<u>Non-executive Directors</u>	<u>Attendance</u>	Marvin Bienenfeld ( <i>Chairman</i> )	2/2	Leung Ying Wah, Lambert	1/2	<u>Non-executive Directors</u>		Herman Van de Velde	2/2
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B.1.2	<ul style="list-style-type: none"> <li>• The committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• There is close liaison and consultation between the Committee and the Chairman and the Group Managing Director on all human resource issues.</li> <li>• Committee members are aware that access to professional advice is available if considered necessary.</li> </ul>
B.1.3	<ul style="list-style-type: none"> <li>• Terms of reference of the remuneration committee to include:               <ul style="list-style-type: none"> <li>– recommendations to the board on policy and structure for all remuneration of directors and senior management.</li> <li>– determine specific remuneration packages of all executive directors and senior management.</li> <li>– review and approve performance-based remuneration.</li> <li>– review and approve the compensation payable on loss or termination of office or appointment.</li> <li>– ensure that no director or any of his associates is involved in deciding his own remuneration.</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>• The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions have been adopted by the Board.</li> <li>• The Committee reviews compensation policies and recommends to the Board the remuneration packages of the Executive Directors and senior management.</li> <li>• The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals.</li> <li>• The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group.</li> <li>• No individual Director is involved in deciding his own remuneration.</li> </ul>
B.1.4	<ul style="list-style-type: none"> <li>• The remuneration committee should make available its terms of reference and the authority delegated to it by the board.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The terms of reference of the Compensation Committee are available on the Company's website.</li> </ul>

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B.1.5	<ul style="list-style-type: none"> <li>The remuneration committee should be provided with sufficient resources to discharge its duties.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Independent professional advice will be bought to supplement internal resources where appropriate.</li> </ul>
<i>Recommended Best Practices</i>			
B.1.6	<ul style="list-style-type: none"> <li>A significant proportion of executive directors' remuneration should be linked to corporate and individual performance.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group.</li> </ul>
C	<b>ACCOUNTABILITY AND AUDIT</b>		
C.1	<b>Financial Reporting</b>		
	<i>Code Principle</i>		
	The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.		
C.1.1	<ul style="list-style-type: none"> <li>Management to provide explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put forward to the board for approval</li> </ul>	✓	<ul style="list-style-type: none"> <li>Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.</li> </ul>
C.1.2	<ul style="list-style-type: none"> <li>The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Directors annually acknowledge their responsibility for preparing the financial statements of the Group.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			<ul style="list-style-type: none"> <li>• The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:               <ul style="list-style-type: none"> <li>– select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;</li> <li>– state the reasons for any significant departure from accounting standards; and</li> <li>– prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future.</li> </ul> </li> </ul> <p>The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.</p>
	<ul style="list-style-type: none"> <li>• A statement by the auditors regarding their reporting responsibilities in the auditors' report on the financial statements.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The Auditors' Report states auditors' reporting responsibilities.</li> </ul>
	<ul style="list-style-type: none"> <li>• Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.</li> </ul>

## CORPORATE GOVERNANCE

			Corporate Governance Practices adopted by the Group
Code Ref.	Code Provisions	Compliance	
	<ul style="list-style-type: none"> <li>Where material uncertainties exist regarding the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed in the Corporate Governance Report.</li> </ul>	N/A	
C.1.3	<ul style="list-style-type: none"> <li>Board responsibility to present a balanced, clear and understandable assessment in annual/interim reports, price-sensitive announcements; other financial disclosures required under the Listing Rules and other statutory requirements.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications.</li> </ul>
<i>Recommended Best Practices</i>			
C.1.4	<ul style="list-style-type: none"> <li>An issuer should announce and publish quarterly financial results, within 45 days from the end of the relevant quarter.</li> </ul>	<i>Deviation explained</i>	<ul style="list-style-type: none"> <li>The Board does not consider the announcement and publication of quarterly financial results to be desirable at the present time.</li> </ul>
C.1.5	<ul style="list-style-type: none"> <li>Once an issuer has decided to publish its quarterly financial results, it should continue to do so.</li> </ul>	N/A	<ul style="list-style-type: none"> <li>The Board reviews business and operational updates on a quarterly basis. In order to enhance the transparency of the Company and raise the investment community's understanding of the latest situation and performance of the Group, quarterly operational updates are posted on the Company's website; bridging the gaps between the publication of the interim and annual results.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
C.2	<p><b>Internal Controls</b></p> <p><i>Code Principle</i></p> <p>The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investments and the issuer's assets.</p>		
C.2.1	<ul style="list-style-type: none"> <li>The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report that they have done so in their Corporate Governance Report.</li> <li>The review should cover all material controls, including financial, operational and compliance controls and risk management functions.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Internal Audit Department conducts reviews of the system of internal control of the Company and its subsidiaries on a regular basis and reports their findings to the audit committee.</li> <li>The review covers all material controls, including financial, operational, and compliance controls and risk management functions.</li> <li>The Board is generally satisfied as to the effectiveness of the system of internal control of the Company and its subsidiaries during the year under review.</li> </ul>
<i>Recommended Best Practices</i>			
C.2.2	<ul style="list-style-type: none"> <li>The boards annual review should, in particular consider: <ul style="list-style-type: none"> <li>the changes since the past annual review in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment.</li> <li>the scope and quality of managements ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance.</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>The review by the Board considered all these matters.</li> <li>There were no significant control failings or weakness identified.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	<ul style="list-style-type: none"> <li data-bbox="300 394 651 757">– the extent and frequency of the communication of the results of the monitoring to the board which enables it to build up a cumulative assessment of the state of control of the issuer and the effectiveness with which risk is being managed.</li> <li data-bbox="300 763 651 1272">– the incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer’s financial performance or condition; and</li> <li data-bbox="300 1279 651 1424">– the effectiveness of the issuer’s processes relating to financial reporting and Listing Rule compliance.</li> </ul>		

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
C.2.3	<ul style="list-style-type: none"> <li>• Narrative statement on compliance with code provisions on internal control including:               <ul style="list-style-type: none"> <li>– process applied for identifying, evaluating and managing significant risks</li> <li>– additional information to assist understanding of risk management processes and system of internal control</li> <li>– acknowledgement by the board that it is responsible for the issuers system of internal control and its effectiveness</li> <li>– process applied in reviewing the effectiveness of the system of internal control</li> <li>– process applied to deal with internal control aspects of any significant problems disclosed in annual reports and accounts.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• The Board has overall responsibility for the system of internal control and reviewing its effectiveness.</li> <li>• The Group has in place an internal control system which is designed in light of the nature of the business as well as the organization structure.</li> </ul> <p>The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation 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 operational systems and achievement of the Group's objectives.</p> <ul style="list-style-type: none"> <li>• Senior management adopts a hands-on approach to the operations of the business and delegation of authority is limited.</li> <li>• Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted.</li> <li>• Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings are held, usually on location at the various operating plants. The Chairman and the Group Managing Director play leading roles in these meetings.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			<ul style="list-style-type: none"> <li>The Head of Internal Audit has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.</li> </ul>
C.3	<p><b>Audit Committee</b> <i>Code Principle</i></p> <p>The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.</p>		
C.3.1	<ul style="list-style-type: none"> <li>Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting.</li> </ul>
C.3.2	<ul style="list-style-type: none"> <li>A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.</li> </ul>	✓	<ul style="list-style-type: none"> <li>No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group																
C.3.3 and C.3.4	<ul style="list-style-type: none"> <li>• The terms of reference of the audit committee should include:               <ul style="list-style-type: none"> <li>– relationship with the external auditors.</li> <li>– review of financial information</li> <li>– oversight of the financial reporting system and internal control procedures</li> </ul> </li> <li>• The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</li> </ul>		<ul style="list-style-type: none"> <li>• The Company established an audit committee in 1998 and the majority of its members are Independent Non-executive Directors.</li> <li>• The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions have been adopted by the Board and are available for review on the Company's website.</li> <li>• Under its terms of reference, the Committee oversees the Group's financial reporting process; it also reviews the Group's internal controls and risk management system, approves the scope of work of the internal audit department and oversees the relationship with the external auditors.</li> <li>• The Audit Committee currently consists of the following members and three meetings have been held during the year. Details of committee members' attendance records are set out below:–           <table border="0" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Independent</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td colspan="2"><u>Non-executive Directors</u></td> </tr> <tr> <td>Chow Yu Chun, Alexander (Chairman)</td> <td style="text-align: right;">3/3</td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">2/3</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">3/3</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">2/3</td> </tr> <tr> <td colspan="2"><u>Non-executive Director</u></td> </tr> <tr> <td>Leung Churk Yin, Jeanny (re-designated as an Independent Non-executive Directors on 19 September 2008)</td> <td style="text-align: right;">1/3</td> </tr> </tbody> </table> </li> </ul>	<u>Independent</u>	<u>Attendance</u>	<u>Non-executive Directors</u>		Chow Yu Chun, Alexander (Chairman)	3/3	Marvin Bienenfeld	2/3	Leung Ying Wah, Lambert	3/3	Lin Sun Mo, Willy	2/3	<u>Non-executive Director</u>		Leung Churk Yin, Jeanny (re-designated as an Independent Non-executive Directors on 19 September 2008)	1/3
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## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			<ul style="list-style-type: none"> <li>• The principal work performed by the committee during the year included:-               <ul style="list-style-type: none"> <li>- review of the Company's financial statements for the year ended 30 June 2007 and for the six months ended 31 December 2007 and recommending such financial statements to the Board for their approval and adoption;</li> <li>- discussions with the external auditors and reporting to the Board any significant matters arising from the interim/annual audit;</li> <li>- review of the audit reports submitted by Internal Audit regarding the systems of internal control and risk management;</li> <li>- review and approval of the audit planning</li> </ul> </li> </ul> <p>The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.</p>
C.3.5	<ul style="list-style-type: none"> <li>• A statement from the audit committee explaining its recommendation on the appointment, resignation or dismissal of external auditors; express disclosure where the board disagrees with the committee's view.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming Annual General Meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditors for the fiscal year 2009.</li> <li>• For the year ended 30 June 2008, the external auditors received HK\$2,242,000 for audit services and HK\$6,383,000 for non-audit services.</li> </ul>
C.3.6	<ul style="list-style-type: none"> <li>• The audit committee should be provided with sufficient resources to discharge its duties.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Independent professional advice will be brought to supplement internal resources where appropriate.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
<i>Recommended Best Practices</i>			
C.3.7	<ul style="list-style-type: none"> <li>• Terms of reference should include:               <ul style="list-style-type: none"> <li>– review of arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters.</li> <li>– to act as the key representative body for overseeing the issuer's relation with the external auditor.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• The Code of Conduct adopted by the Group provides for direct consultation with the Chairman or Group Managing Director on uncertain legal or ethical issues.</li> <li>• The Audit Committee oversees the relationship with the external auditors.</li> </ul>
D	<b>DELEGATION BY THE BOARD</b>		
D.1	<b>Management Functions</b> <i>Code Principle</i> An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.		
D.1.1 and D.1.2	<ul style="list-style-type: none"> <li>• Board must give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board before making decisions and entering into any commitments on behalf of the issuer.</li> <li>• Formalize the functions reserved to the board and those delegated to management; and review arrangements on a periodic basis.</li> </ul>		<ul style="list-style-type: none"> <li>• The daily management and administration functions of the Company are delegated to management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis.</li> <li>• There is a defined schedule of matters reserved for full Board approval, including:               <ul style="list-style-type: none"> <li>– long-term objectives and strategies;</li> <li>– audited financial statements and associated materials; review and approve interim and final result announcements and quarterly operational updates;</li> <li>– recommendations as to dividend;</li> <li>– appointment, removal or re-designation of Directors;</li> </ul> </li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			<ul style="list-style-type: none"> <li>- remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors;</li> <li>- material connected transactions;</li> <li>- material acquisitions, disposals or joint-venture arrangements;</li> <li>- material raising of external finance;</li> <li>- appointment and removal of external auditors;</li> <li>- matters involving a conflict of interest for a substantial shareholder or Director.</li> <li>- raising of external finance</li> </ul>
<i>Recommended Best Practices</i>			
D.1.3	<ul style="list-style-type: none"> <li>• An issuer should disclose the division of responsibility between the board and management.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• As set out in D.1.1 and D.1.2.</li> </ul>
D.1.4	Issuers should have formal letters of appointment for Directors setting out the key terms and conditions relative to their appointment.	✓	<ul style="list-style-type: none"> <li>• A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.</li> </ul>
D.2	<p><b>Board Committees</b></p> <p><i>Code Principle</i></p> <p>Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.</p>		
D.2.1	<ul style="list-style-type: none"> <li>• Clear terms of reference to enable proper discharge of committees functions</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Two Board Committees, Audit Committee and Compensation Committee have been established with clear and specific terms of reference.</li> </ul>
D.2.2	<ul style="list-style-type: none"> <li>• The terms of reference should require committees to report their decisions and recommendations to the board</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Each Board Committee reports to the Board after the relevant meeting.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
E.1	<b>Effective Communication</b> <i>Code Principle</i> The Board should endeavour 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.		
E.1.1	<ul style="list-style-type: none"> <li>A separate resolution be proposed by the chairman for each substantially separate issue.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors.</li> </ul>
E.1.2	<ul style="list-style-type: none"> <li>The chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.</li> <li>The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.</li> </ul>	✓  ✓	<ul style="list-style-type: none"> <li>The Chairman of the Board chairs the Annual General Meeting.</li> <li>The Company's practice conforms to this principle.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E.2	<p><b>Voting by Poll</b> <i>Code Principle</i></p> <p>The issuer should regularly inform shareholders of the procedures for voting by poll and answer compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.</p>		
E.2.1	<ul style="list-style-type: none"> <li>• The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll.</li> <li>• The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.</li> <li>• If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.</li> </ul>		<ul style="list-style-type: none"> <li>• The rights of shareholders to and the procedures for demanding a poll are set out in every circular sent to shareholders.</li> <li>• It is the Company's practice that the Chairman of the meeting exercises his power under the Bye-laws to put each resolution set out in the notice to be voted by way of poll.</li> <li>• The Company will announce the Poll Results on the websites of the Company and the Stock Exchange the next business day following the Annual General Meeting or any general meetings of the Company.</li> </ul>

## CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E.2.2	<ul style="list-style-type: none"> <li>• The issuer should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.</li> <li>• The issuer should ensure that votes cast are properly counted and recorded.</li> </ul>		<ul style="list-style-type: none"> <li>• The Company has appointed Tricor Secretaries Limited, the Company's Hong Kong branch share registrar, as the scrutineers to monitor and count the poll votes cast at the Annual General Meeting.</li> </ul>
E.2.3	<ul style="list-style-type: none"> <li>• The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:               <ul style="list-style-type: none"> <li>– the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and</li> <li>– the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• The Chairman explains the detailed procedures for conducting a poll at the outset of the Annual General Meeting and any general meetings and answers questions from shareholders.</li> </ul>

## CORPORATE GOVERNANCE

### Business Integrity

Maintaining the highest professional and ethical standards is central to the Group's core operating philosophy. The Group has formally adopted a Code of Conduct (the "Code") addressing guiding principles governing conduct of Directors and senior employees. The Code is intended to establish minimum general standards of conduct encompassing the most common and sensitive areas in which the business operates.

In summary, executives of the Group are expected to:

- Conduct business of the Group in full compliance with both the letter and spirit of the Law and of the Code.
- Maintain the highest possible standards in the way we operate and the way we treat our employees in order to satisfy the expectations of both the business and social communities.
- Use confidential information properly.
- Recognize and avoid conflicts of interest.
- Protect the ownership of property of the Group, including information, products, rights and services.
- Conduct outside activities in a way which does not compromise the individual or the Group.

### Communications with the Investment Community

The Company is committed to maintaining a continuing open dialogue with institutional investors and analysts to facilitate understanding of the group's management, financial position, operations, strategy and plans.

The Chairman and Chief Financial Officer have the prime responsibility for these activities, with the Chairman taking the lead in the period immediately following the interim and final results announcements.

Regular one-on-one meetings are held with the financial community which, in a number of instances, involve visits to production facilities.

The Company endeavours to be responsive to all media requests.