

Corporate Governance

The Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 August 2005. The Board of Directors (the "Board") is committed to maintain a high level of corporate governance standards and practices. The Board has complied with the provisions set out in the Code on Corporate Governance Practices (the "Code Provisions") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since 29 April 2005 (when the existing Board was substantially formed) except as stated and explained below.

Board of Directors

The Board currently comprises ten Directors, four are Non-executive Directors with three of them being Independent Non-executive Directors, representing more than one-third of the Board. The composition of the Board reflects a comprehensive range of professions, knowledge and experience. All Directors are aware of their collective and individual responsibilities to shareholders and have exercised their duties with care, skill and diligence for the best interests of the shareholders. Names and the biographies of the Directors are set out on pages 18 to 20 of this Annual Report.

Each of the Executive, Non-executive, and Independent Non-executive Directors has entered into a continuous service contract with the Company and is subject to the rotational retirement and re-election requirements of the Company's Articles of Association and the Code Provisions. Mr. Fung Siu Por, Lawrence (the Chairman of the Company) and Mr. Chu Yu Lun (the Non-executive Director of the Company) have been business partners for years and have common interests in certain companies including Golden Rooster Limited, the controlling shareholder of the Company. Save as disclosed above, none of the Directors has any financial, business, family relationships or any relationships in other material aspects with each other.

Under Code A.2.1 of the Code Provisions, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. However, the Company has appointed Mr. Fung Siu Por, Lawrence as both its Chairman and the CEO. The Board believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a substantial number thereof being Non-executive Directors.

The Board is responsible for setting the Group's strategic direction and overseeing the business performance of the Group while business operations are delegated to qualified management under the supervision of respective Executive Directors. The Board will ensure that the decision and direction made are implemented through the management, and that all significant business matters including but not limited to budgets, business plans, investment decisions, material capital expenditure are subject to the Board's approval.

The Board intends to hold at least four meetings annually at approximately quarterly intervals. Notice of meeting, agenda (with the consultation of members of the Board) and accompanying board papers are sent in full to all Directors in a timely manner before the intended date of each meeting. During the period of 29 April 2005 to 31 March 2006, four meetings were held and attended by all members except Mr. Chan Mo Po, Paul, who was appointed on 4 May 2005, was absent in one of the meetings. One more meeting was held on 29 May 2006, with the presence of all members, to approve, inter alia, the appointment of a new Executive Director with effect from 1 June 2006.

Minutes of Board Meetings are recorded by the secretary of the meetings in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of Board Meetings are sent to all Directors for their comment and records respectively, in both cases within a reasonable time after the Board Meeting is held.

Independence of Independent Non-executive Directors

Each Independent Non-executive Director has submitted to the Stock Exchange a written confirmation in respect of their independence in accordance with Rule 3.13 of the Listing Rules on 9 May 2005. The Board has also received from each of the Independent Non-executive Directors a confirmation of his independence as required under the Listing Rules and is of opinion that all Independent Non-executive Directors are independent and appreciates the professional and valuable contributions they made to the Board and the Committees.

Audit Committee

The Company established an Audit Committee on 29 April 2005 with written terms of reference which have been formulated and adopted and complied with the Code Provisions. The Audit Committee comprises three Independent Non-executive Directors, Mr. Chan Mo Po, Paul as Committee Chairman, Mr. Chow On Kiu and Mr. Lo Foo Cheung. The Committee members possess the necessary qualifications and experience in financial matters which are crucial to the Committee's key roles and functions. The principal roles and functions of the Committee include:

- (a) to consider and recommend to the Board on the appointment, re-appointment and removal of external auditors, and to approve their remuneration, and any question of their resignation and dismissal;
- (b) to review and monitor integrity of the financial statements of the Group together with the Company's interim and annual report;
- (c) to maintain an appropriate relationship with the Group's external auditors; and
- (d) to oversee the Group's financial controls, internal control and risk management systems.

During the period from 29 April 2005 to 31 March 2006 under review, the Audit Committee met once with the presence of all members. The Company's Chief Financial Officer and Qualified Accountant and External Auditors were invited to attend the meeting. The Committee has reviewed the interim report, interim review report presented by the External Auditors, terms of reference of the Audit Committee and External Auditors' remuneration at the meeting. The Committee has also, with the presence of all members, conducted a site visit of the Group's major facilities. The Chairman of the Audit Committee has reported to the Board on the proceedings of these meetings. The Board has not taken any view that is different from that of the Audit Committee.

Furthermore, another meeting was held on 19 June 2006 to review, inter alia, the Annual Report and Results Announcement of the Group for the year ended 31 March 2006, the report from External Auditors on the audit of Group's Financial Statements, the continued non-exempt connected transactions, internal control system and the re-appointment of External Auditors.

Remuneration Committee

The Company established a Remuneration Committee on 29 April 2005 with written terms of reference which have been formulated and adopted and complied with the Code Provisions. The Remuneration Committee comprises Non-executive Director, Mr. Chu Yu Lun, and two Independent Non-executive Directors, Mr. Lo Foo Cheung as the Committee Chairman and Mr. Chow On Kiu. The principal roles and functions of the Remuneration Committee include:

- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board of the remuneration of the non-executive directors;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

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Remuneration Committee (Continued)

- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.

The Remuneration Committee met once during the period from 29 April 2005 to 31 March 2006 with the presence of all members to review the remunerations of the Executive Directors. On 11 April 2006 and 29 May 2006, the Committee convened two further meetings to review and approve the remunerations payable to the Executive Directors and senior management and the discretionary bonus for the financial year under review. All the Committee members attended the said meetings except in one meeting, written comments was received from Mr. Chow On Kiu prior to the meeting. The Committee Chairman has reported to the Board on the proceedings of these meetings.

Nomination Committee

The Company established a Nomination Committee on 29 April 2005 with written terms of reference which have been formulated and adopted and complied with the Code Provisions. The Committee comprises Non-executive Director, Mr. Chu Yu Lun and two Independent Non-executive Directors, Mr. Chow On Kiu as Committee Chairman and Mr. Chan Mo Po, Paul. The principal roles and functions of the Nomination Committee include:

- (a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of independent non-executive directors with regard to the requirements under the Listing Rules; and
- (d) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer.

The Nomination Committee held its first meeting on 29 May 2006 with the presence of all members to review the size, structure and composition of the Board and made its recommendations to the Board on the appointment of a new Executive Director will effect from 1 June 2006 and the re-appointment of Directors (not less than one-third of the Board) who are subject to retirement by rotation and eligible for re-election at the forthcoming annual general meeting.

Remuneration of Directors

The Directors' fees and all other remuneration paid or payable to the Directors during the year are set out on an individual and named basis, in note 7(b) to the Consolidated Financial Statements of this Annual Report on page 61.

The Group's remuneration policy is set out in note 7(d) to the Consolidated Financial Statements of this Annual Report on page 62.

Securities Transactions of Directors

The Company confirmed the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). All Directors confirmed their compliance with the required standard set out in the Model Code regarding directors' securities transactions throughout the period from the Company's listing date of 3 August 2005 to 31 March 2006.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company for the period under review.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the Financial Statements for the year ended 31 March 2006, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and have prepared the Financial Statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

External Auditors

The Group had appointed PricewaterhouseCoopers as the Group's External Auditors since the financial year 2004/05. Their reporting responsibilities on the Financial Statements are set out in the Auditors' Report of this Annual Report on page 36.

During the period under review, the Group has incurred a total audit fee of HK\$1,850,000 in relation to the interim review and audit services provided by PricewaterhouseCoopers for the financial year 2005/06, which was approved by the Audit Committee and the Board. A fee of HK\$79,000 was also paid or payable to PricewaterhouseCoopers for the agreed-upon procedures performed in relation to the circulation figures of *Take me Home* and security quote figures of Internet quotation business.

PricewaterhouseCoopers will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held on 26 July 2006.

The re-appointment of PricewaterhouseCoopers as the External Auditors of the Group has been recommended by the Audit Committee and endorsed by the Board, subject to the approval of shareholders in the forthcoming annual general meeting.

Internal Controls

The Board acknowledges its responsibility for the Group's internal control system and has reviewed its effectiveness to ensure that internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and best practices.