

# CORPORATE GOVERNANCE REPORT

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The Company is committed to meeting statutory and regulatory requirements and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2006, with the exception that are discussed later in this report.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

## BOARD OF DIRECTORS

The Board comprises seven directors, four of which are executive directors, namely Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman and Mr. Kwok Kam Chuen, and there are three independent non-executive directors, namely Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwoo Seng.

Regular Board meetings are held at least four times a year which include two full Board meetings to approve interim and financial results and to propose interim and final dividends, if appropriate. It is also held as and when necessary to discuss significant transactions, including issuance of debt securities, material acquisitions and disposal, and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Chairman and the senior management.

During the year ended 31 March 2006, 4 board meetings were held. The attendance of each director is set out as follows:

<b>Director</b>	<b>Attendance record</b>
Mr. Kwok Wing	4/4
Mr. Lee Yuk Man	4/4
Mr. Ho Yik Kin, Norman	4/4
Mr. Kwok Kam Chuen	3/4
Mr. Leung Yiu Wing, Eric	3/4
Mr. Ching Kwok Ho, Samuel	3/4
Mr. Heng Kwo Seng	3/4

The board of directors is responsible for the formulation of business strategies for the Group and the operational decision making is delegated to the management team.

Mr Kwok Wing is the chairman of the board of directors (the "Board") and also assumes the role of managing director. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operations of the Group.

There is no financial, business, family or other material or relevant relationship among the Directors.

### **TERM OF NON-EXECUTIVE DIRECTORS**

The independent non-executive directors were appointed by the board of directors without a specific term but are subject to rotation in Annual General Meeting pursuant to the Company's articles of association.

### **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the independent non-executive directors a confirmation of independence for the year ended 31 March 2006 pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

### **REMUNERATION COMMITTEE**

To comply with the CG Code, a remuneration committee was established in June 2005. The members of the remuneration committee comprise two independent non-executive directors of the Company, Mr. Leung Yiu Wing, Eric (Chairperson) and Mr. Heng Kwo Seng, and one executive director, Mr. Kwok Wing.

During the year ended 31 March 2006, one remuneration committee meeting was held. The attendance of each committee member is set out as follows:

<b>Director</b>	<b>Attendance record</b>
Mr. Leung Yiu Wing, Eric	1/1
Mr. Heng Kwoong Seng	1/1
Mr. Kwok Wing	1/1

The main role and function of the remuneration committee consist of determining the remuneration and the terms of employment of the directors. During the year, the remuneration committee has assessed the performance of the executive directors, determined the discretionary bonuses of the executive directors and approved the terms of executive directors' service agreements.

The emoluments of the executive directors are determined with the reference to the duties, responsibilities and experience of the directors and prevailing market conditions. Besides the basic salaries and benefits-in-kind as stipulated in the service agreements, prior approval of the remuneration committee is also required for performance related benefits of the executive directors.

The emoluments of the non-executive directors are determined based on the estimated time spent by them on the Company's matters.

## **NOMINATION COMMITTEE**

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested on the Board according to the articles of association of the Company, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the articles of association of the Company and the laws of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the provisions of the articles of association which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position. There was no change in directorship during the year ended 31 March 2006.

### AUDITORS' REMUNERATION

During the year ended 31 March 2006, the remuneration paid to the external auditors, KPMG, are analysed as follows:

	<i>HK\$</i>
Audit services	1,460,000
Non-audit services	194,000
	<hr/> 1,654,000

### STATEMENT BY THE AUDITORS

The statement of the auditors of the Group regarding their responsibilities on the financial statements is set out in the auditors' report on page 28.

### AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors, Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwo Seng, and reports to the board of directors.

During the year ended 31 March 2006, two audit committee meetings were held. The attendance of each committee member is set out as follows:

<b>Director</b>	<b>Attendance record</b>
Mr. Leung Yiu Wing, Eric	2/2
Mr. Ching Kwok Ho, Samuel	2/2
Mr. Heng Kwo Seng	2/2

During the year, the audit committee has reviewed with the management the accounting principles and practices adopted by the group, the interim and annual financial statements of the group, met and discussed with the external auditors, and raised queries and obtained explanations from the management on issues related to financial and operational control procedures of the group.

The audit committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

### **DIRECTORS' RESPONSIBILITIES FOR PREPARING FINANCIAL STATEMENTS**

The Company's directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view.

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.