

# CORPORATE GOVERNANCE REPORT

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the “Code on CGP”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code on corporate governance practices. During the year, the Company complied with all the Code on CGP.

## BOARD OF DIRECTORS

### Composition and role

The Board comprises three executive directors and three independent non-executive directors. All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. One of the independent non-executive directors possesses appropriate professional accounting qualifications and financial management expertise. The names of directors and their positions as at 31st March 2006 are as follows:

#### Executive Directors

Mr. Ng Ngan Lung, Freddy  
Mr. Mui Chi Hung, Clarence  
Ms. Chui May Ling, Margaret

#### Position

*(Deputy Chairman & Chief Executive Officer)*

#### Independent Non-Executive Directors

Mr. Fan Sai Yee, JP  
Mr. Chan Wing Yuen, Hubert  
Ms. Ho Man Kay, Angela

*(Chairman)*

The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Board considers that there is a reasonable balance between executive and non-executive directors and has provided adequate checks and balances for safeguarding the interests of shareholders and the Group.

The Board has received from each Independent Non-Executive Director a written confirmation of their independence and considers the Independent Non-Executive Directors to be independent of the Group.

Independent non-executive directors have a service contract with the Company which sets out the key terms and condition of their appointment for a fixed terms of one year.

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## 1. CORPORATE MANAGEMENT

### Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for taking lead of effective running of the Board.

The Chief Executive Officer is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

## 2. BOARD RESPONSIBILITIES

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with the other executive directors and the executive management team of each business division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All executive directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

## 3. REGULAR BOARD MEETINGS

The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

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## DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE

Regular Board meetings have been held seven times. \*(Save for the executive Board meetings held between the executive directors during the normal course of business of the Company, the Board has had regular Board meetings in accordance with the Code on CGP.)

### Meetings Attended/Held during the year

	*Regular Board Meeting	%	Audit Committee	%	Remuneration Committee	%
<b>No of meetings held during the year</b>	7		2		4	
<b>Executive Directors</b>						
Ng Ngan Lung, Freddy <sup>1</sup>	7/7	100%			4/4	100%
Chong Hong Sang, Kenneth <sup>2</sup>	4/4	100%			1/1	100%
Mui Chi Hung, Clarence	7/7	100%	2/2	100%	4/4	100%
Chui May Ling, Margaret <sup>4</sup>	0/1	0%				
<b>Independent Non-Executive Directors</b>						
Ho Man Kay, Angela	6/7	86%	2/2	100%	3/4	75%
Chan Wing Yuen, Hubert	7/7	100%	2/2	100%	4/4	100%
Fan Sai Yee ( <i>Chairman</i> ) <sup>3</sup>	7/7	100%	2/2	100%	4/4	100%

#### Notes:

1. Mr. Ng Ngan Lung was re-designated from the Chairman of the Company to the Deputy Chairman and Chief Executive Officer of the Company on 23 February 2006.
2. Mr. Chong Hong Sang resigned from the Deputy Chairman, Chief Executive Officer and Executive Director of the Company on 23 February 2006.
3. Mr. Fan Sai Yee was appointed as the Chairman of the Company on 23 February 2006.
4. Ms. Chui May Ling was appointed as an Executive Director of the Company on 23 February 2006.

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## 4. BOARD COMMITTEES

Each Committee has its own defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a request in writing from the shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the Directors for their record.

### a. Audit Committee

The Audit Committee currently comprises three members, all of whom are independent non-executive directors, namely, Ms. Ho Man Kay, Angela (chairman), Mr. Fan Sai Yee, Mr. Chan Wing Yuen, Hubert.

The primary duties of the Audit Committee include review of the effectiveness of financial reporting processes and internal control systems of the Group, review of the Group's financial information and compliance, making recommendation to the Board on the appointment and removal of external auditors and assessing their independence and performance.

During the year, the works performed by Audit Committee were mainly set out below:

- reviewed the interim results for the period ended 30th September, 2005 and annual results for the year ended 31st March, 2006 of the Group
- discussed with the management of the Company over the fairness and adequate accounting standards and policies of the Group in the preparation of the interim and annual financial statements
- reviewed the connected transactions entered into by the Group during the year
- reviewed and discussed with the external auditors over the financial reporting of the company
- reviewed, recommended and approved the retirement and re-appointment of external auditors
- reviewed, recommended and approved the remuneration of external auditors

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## b. Remuneration Committee

The Remuneration Committee has been established by the Company in accordance with the requirements of the Code on CGP. The Remuneration Committee currently comprises four members, one executive director, namely, Mr. Ng Ngan Lung, Freddy, the Deputy Chairman and Chief Executive Officer of the Company, and three independent non-executive directors, namely, Ms. Ho Man Kay, Angela (chairman), Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of directors and management, including the policy of granting of share options to employees under the Company's share option scheme. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

During the year, the Remuneration Committee has reviewed and recommended the annual discretionary bonus scheme, share option policy and the emoluments of Executive Directors and management remuneration for the Board's consideration.

## c. Nomination Committee

The Company has not established any nomination committee and would not consider establishing a nomination committee owing to the small size of the Board. The appointment of a new director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

During the year, a regular board meeting was held in relation to nomination of an Executive Director, the Chief Executive Officer and the Chairman of the Company. The attendance of the meeting comprised three independent non-executive directors, namely, Ms. Ho Man Kay, Angela, Mr. Fan Sai Yee, Mr. Chan Wing Yuen, Hubert and two executive directors, namely, Mr. Ng Ngan Lung, Freddy, Mr. Mui Chi Hung, Clarence.

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his appointment.

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## 5. DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All directors acknowledge their responsibility for preparing the accounts for the year ended 31st March, 2006.

Messrs Li, Tang, Chen & Co., the auditors of the Company, acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31st March, 2006.

## 6. AUDITORS' REMUNERATION

The Group's external auditors are Messrs. Li, Tang, Chen & Co. for the year ended 31st March, 2006, the fees paid/payable for audit service and tax and consultancy services are HK\$320,000 and HK\$100,000 respectively.

## 7. DIRECTORS' SECURITIES TRANSACTIONS

The company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors (the "Model Code"). All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standards as set out in the Model Code during the year.

## 8. INTERNAL CONTROLS

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved.

## 9. COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain a high level of transparency in communicating with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meeting of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairman of the Audit Committee, or in their absence, another member of the relevant committee, are available at the annual general meeting to answer questions from shareholders on the business of the Group.