

## **CORPORATE GOVERNANCE REPORT**

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the code of corporate governance practices in Appendix 14 of the Listing Rules (the “Code”) as its own code on corporate governance practices. In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code during the year ended 31 March 2006.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by directors of the Company. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code throughout the year.

### **BOARD OF DIRECTORS**

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Board comprises a total of five directors, with two executive directors and three independent non-executive directors. One of the independent non-executive directors, Mr. HA Tak-kong, has appropriate professional qualifications in accounting pursuant to Rule 13.10 of the Listing Rules.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All directors have access to the company secretary for advising the board procedures and regulatory matters. Any director and member of audit committee of the Company may take independent professional advice if they so wish at the expense of the Company, as arranged by the company secretary.

No chairman or chief executive officer had been appointed by the Company during the year. This constitutes a deviation from the code provision A.2.1 to A.2.3 of the Code. In view of the simple structure of the Company, all significant decision making is carried out by all executive directors of the Company while the day-to-day investment decision is based on the professional recommendation of the investment manager. The Board considers that this structure will not impair the balance of power and authority between the management of the Board and the management of its business.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, one-third of the directors of the Company (both executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those in the Code.

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Under the articles of association of the Company, the chairman of the Board and/or the managing director and/or the deputy managing director of the Company are not subject to retirement by rotation or be taken into account on determining the number of directors to retire in each year. This constitutes a deviation from the code provision A.4.2 of the Code.

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. During the year ended 31 March 2006, the Board convened a total of 16 meetings, performing its duties in considering, inter alia, change of investment manager, capital reorganization, rights issue, change of company secretary, change of directors, proposed amendment of the articles of association of the Company, proposed refreshment of general mandate to issue shares and proposed refreshment of share option scheme. The directors can attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Company.

<b>Name of director</b>	<b>Attendance</b>	<b>%</b>
<i>Executive Directors</i>		
Mr. POON Ho-man	16	100
Mr. Jerry CHIOU	16	100
<i>Non-executive Director</i>		
Mr. HSIEH Chin-chen*	2	13
<i>Independent Non-executive Directors</i>		
Mr. HA Tak-kong	11	69
Mr. HUANG Ching-chung	2	13
Mr. PENG Feng ( <i>appointed on 22 November 2005</i> )	4	25
Mr. FU Heng-yang ( <i>resigned on 22 November 2005</i> )	4	25

\* Mr. Hsieh resigned as non-executive director on 11 May 2006.

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board as at 31 March 2006. All of them are free to exercise their individual judgments.

### REMUNERATION COMMITTEE

During the year, the Company had not established a remuneration committee in view of the Company's simple structure and low staff cost (since the Company is being managed by its investment manager pursuant to the terms of written management agreement approved by the shareholders). This constitutes a deviation from the code provision B.1.1 to B.1.5 of the Code. The Board has re-considered and approved establishment of a remuneration committee on 25 May 2006.

The remuneration policy of the Company is to ensure that all employees, including directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No director or any of his associates, and executive is involved in deciding his own remuneration.

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### AUDIT COMMITTEE

The principal duties of the audit committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company.

During the year under review, two meetings held by the audit committee to carry out the principal duties as stated above, to review and to make recommendations as to the approval of the Company's interim and annual financial statements to the Board. All the committee members had attended the meetings.

The existing audit committee of the Company comprises three independent non-executive directors, namely, Mr. HA Tak-kong (chairman of the audit committee), Mr. HUANG Ching-chung and Mr. PENG Feng.

The Group's annual report for the year ended 31 March 2006 has been reviewed by the audit committee.

### AUDITORS' REMUNERATION

For the year ended 31 March 2006, services provided to the Company by its external auditors, BDO McCabe Lo Limited and HLM & Co. and the respective fees paid/payable are set out as follows:

	<i>HK\$</i>
HLM & Co.	
– Audit services (Annual report)	<u>70,000</u>
BDO McCabe Lo Limited	
– Audit services (Review of interim report)	10,000
– Non-audit services	<u>38,000</u>
	<u>48,000</u>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for the preparation of the financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs. HLM & Co., with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditors' Report on page 15.