



Corporate Governance Report

Corporate governance practices

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in the year ended 31 March 2006 except the non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

Directors’ securities transactions

The Company has adopted a code of conduct regarding directors’ securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2006.

Board of directors

The Company is governed by a board of directors (the “Board”) which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board set strategies and directions for the Group’s activities with a view to develop its business and to enhance shareholder value.

The Board met 19 times during the year ended 31 March 2006. Its composition and the attendance of individual directors at these board meetings were as follows:

Name	Number of meetings held during the director’s term of office in the year	Number of meetings attended
<i>Executive directors</i>		
Yeung Chi Hang (<i>Chairman</i>)	19	14
Ma Shuk Kam	19	3
Liu Yu Mo (<i>Chief Executive Officer</i>)	19	18
Yeung Kit Yu, Kitty	19	1
Au Edmond Wah	19	9
Chung Siu Wah	19	2
Chik To Pan	19	14
<i>Independent Non-executive directors</i>		
Chan Lai Mei	19	14
Lee Wai Loun	19	14
Lee Yuk Sang, Angus	19	14

Mr. Yeung Chi Hang, the Chairman of the Company, is the son of Madam Ma Shuk Kam and the brother of Ms. Yeung Kit Yu, Kitty, both executive directors.



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Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separate, with a clear division of responsibilities.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Non-executive directors

All the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company. Under the Company's Bye-laws, all directors are subject to re-election by shareholders every 3 years.

Remuneration of directors

The Remuneration Committee has 3 members, comprising Messrs. Chan Lai Mei, Lee Wai Loun and Lee Yuk Sang, Angus, all independent non-executive directors. This Committee is chaired by Ms. Chan Lai Mei.

The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee had not met during the year as it was set up in July 2005 after the Group's remuneration policy and the levels of remuneration paid to executive directors and senior management of the Group for the year was reviewed and approved by the Board in May 2005.

Nomination of directors

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment.

Potential new directors are selected on the basis of their qualifications, skills and experience that the directors consider will make a positive contribution to the performance of the Board.

During the year, no new director had been appointed.

Accountability and audit

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31 March 2006, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Report of the Auditors attached to the Company's Financial Statements for the year ended 31 March 2006.



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The Board has conducted reviews of the effectiveness of the Group's internal control system covering all controls, including financial, operational and compliance and risk management controls. Areas for improvement have been identified and appropriate measures taken.

Auditors' remuneration

During the year ended 31 March 2006, fees paid to the Company's external auditors for audit services totalled HK\$730,000, compared with HK\$400,000 in the previous year.

Fees for non-audit services during the year amounted to HK\$227,000 (2005: HK\$21,700). These included fees for services provided for the acquisition of Waldorf Holding Limited of HK\$200,000 and actual outlays of HK\$27,000.

Audit Committee

The Audit Committee has 3 members, comprising Messrs. Chan Lai Mei, Lee Wai Loun and Lee Yuk Sang, Angus, all independent non-executive directors. The Chairman of this Committee is Ms. Chan Lai Mei.

The terms of reference of the Audit Committee follow the guidelines set out in the Code.

During the year, the Audit Committee had reviewed the Group's interim and annual results and internal control system.

The Audit Committee met 2 times in the year, which were attended by all members.