

CORPORATE GOVERNANCE REPORT

企業管治報告

The Company recognises its responsibilities to shareholders and is therefore committed to maintaining a high standard of corporate governance. To accomplish this, the Company has reviewed its practices and procedure, and identified and formalised appropriate measures.

Throughout the year ended 31 March 2006, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which apply to the Company for the year under review, except that (i) prior to the amendments to the Articles of Association of the Company approved by the shareholders in the annual general meeting of the Company on 14 September 2005, the executive chairman of the Company was not subject to retirement by rotation, which was inconsistent with code provision A.4.2 and (ii) the roles of chairman and chief executive officer were not separated and performed by two individuals, which was inconsistent with code provision A.2.1.

In respect of the deviation from code provision A.2.1, Mr Cheong Hooi Hong is both the Chairman and the chief executive officer of the Company and the Board of Directors considers that the current structure does not have any adverse effect on the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as its code for dealing in securities of the Company by the directors ("Model Code"). Specific enquiry has been made with all directors of any non-compliance with the Model Code, and all directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2006.

本公司明白上市公司對股東的責任，故致力維持高水平的企業管治。為此，本公司已檢討其常規守則和程序，並確認和制訂合適的措施和步驟。

於截至二零零六年三月三十一日止年度內，本公司均有遵守《香港聯合交易所有限公司證券上市規則》（「上市規則」）附錄十四所載的《企業管治常規守則》（「企業管治常規守則」）中適用於本公司的所有條文，唯 (i) 在公司組織章程細則於二零零五年九月十四日舉行之本公司股東周年大會獲股東批准修訂前，本公司行政主席無須根據守則條文第A.4.2條而輪值退任；及(ii) 主席和行政總裁的角色也沒有按守則條文第A.2.1條的規定而分開，並由不同人士擔任。

關於偏離守則條文第A.2.1條，鍾輝煌先生現時為本公司主席和行政總裁，董事會則認為現時的公司結構對本公司並無任何負面影響。

董事的證券交易

本公司已採納上市規則附錄十所載的《上市發行人董事進行證券交易的標準守則》作為本公司董事證券交易守則（「標準守則」），並向所有董事就有否遵守標準守則作出特定查詢。所有董事皆確認於截至二零零六年三月三十一日止年度內均有遵守標準守則所規定的標準。

CORPORATE GOVERNANCE REPORT (continued)

企業管治報告 (續)

BOARD OF DIRECTORS

The Board of Directors comprises five executive directors (Chairman Mr Cheong Hooi Hong, Deputy Chairman Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Been Kheng), two non-executive directors (Mr Sin Cho Chiu, Charles and Mr Lau Wah Sum) and three independent non-executive directors (Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-Nam and Mr Tse Pang Yuen).

Six board meetings were held during the year ended 31 March 2006 and individual attendance of the directors is set out below:

Directors	董事	Meetings attended/ Eligible to attend 出席會議次數/ 召開會議次數
<i>Executive directors</i>	<i>執行董事</i>	
Mr Cheong Hooi Hong (Chairman)	鍾輝煌先生 (主席)	3/6
Mr Cheong Kheng Lim (Deputy Chairman)	鍾瓊林先生 (副主席)	6/6
Mr Cheong Keng Hooi	鍾焯輝先生	3/6
Mr Cheong Sim Lam	鍾樂南先生	3/6
Miss Cheong Been Kheng	鍾敏卿小姐	3/6
<i>Non-executive directors</i>	<i>非執行董事</i>	
Mr Sin Cho Chiu, Charles	冼祖昭先生	6/6
Mr Lau Wah Sum	劉華森先生	5/6
<i>Independent non-executive directors</i>	<i>獨立非執行董事</i>	
Mr Chow Wan Hoi, Paul	周雲海先生	6/6
Mr Yau Allen Lee-Nam	姚李男先生	6/6
Mr Tse Pang Yuen	謝鵬元先生	6/6

Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Been Kheng are brothers and sister. Some of the directors who are members of the Cheong family own business outside the Group together.

The Board is responsible for the leadership and control of the Group. It formulates objectives, overall strategies and business plans and oversees the financial and management performance of the Group. For efficient operation, certain functions and authorities are delegated to the management. It includes implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business.

董事會

本公司董事會由五名執行董事 (主席鍾輝煌先生、副主席鍾瓊林先生、鍾焯輝先生、鍾樂南先生和鍾敏卿小姐)、兩名非執行董事 (冼祖昭先生和劉華森先生) 和三名獨立非執行董事 (周雲海先生、姚李男先生和謝鵬元先生) 組成。

於截至二零零六年三月三十一日止年度，本公司共召開六次董事會議，而各董事的出席次數如下：

鍾輝煌先生、鍾瓊林先生、鍾焯輝先生、鍾樂南先生和鍾敏卿小姐為兄弟姊妹。部分鍾氏家族成員的董事共同擁有本集團以外的業務。

董事會負責領導和管治本集團，包括制訂目標、具體策略及業務計劃，並監督本集團財務及管理表現。為使本集團之管理更具效率，若干職能和權力均轉授予管理層，包括推行董事會已制訂的目標、策略及計劃和本集團的日常業務管理。

CORPORATE GOVERNANCE REPORT (continued)

BOARD OF DIRECTORS (continued)

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows of the Group. In preparing the financial statements for the year ended 31 March 2006 on a going concern basis, the Directors have adopted suitable accounting policies and, other than the new and revised accounting policies as disclosed in the notes to the financial statements, have applied them consistently with those applied to the financial statements of the previous financial year. The Directors have also made judgements and estimates which are prudent and reasonable.

The Directors are accountable for keeping proper records which reflect with reasonable accuracy at any time the financial position of the Group. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 34 to 35.

NON-EXECUTIVE DIRECTORS

The non-executive directors are appointed for a term of one year. According to the Company's Articles of Association, they are requested to retire by rotation, but eligible for re-election, at least once every three years.

REMUNERATION OF DIRECTORS

The primary objective of the Company's remuneration policy is to retain directors and staff of suitable calibre by remunerating them at competitive level. In order to achieve this, the Board has established a remuneration committee. Under the Company's remuneration policy, no director or his associates is allowed to be involved in decisions relating to his own remuneration.

企業管治報告 (續)

董事會 (續)

董事會須對編製各財政期間的財務報表負責，務使該等報表真實及公平地反映本集團的財務狀況及業績和現金流量。於按持續經營基準方式編製截至二零零六年三月三十一日止年度的財務報表時，除在財務報表附註所披露的新增及修訂者外，董事會已採納合適的會計政策，並應用與上一財政年度財務報表中所採用的相同會計政策，且已作出審慎及合理的判斷和估計。

董事會須對保留合適的紀錄，以合理的準確性反映本集團於任何時間的財務狀況負責。本公司核數師就本集團財務報表作出的申報責任聲明列載於第34至第35頁的核數師報告書。

非執行董事

非執行董事被委任的年期為一年。根據本公司的組織章程細則，非執行董事須最少每三年輪值退任一次，唯該等董事可膺選連任。

董事薪酬

本公司薪酬政策的最終目的是以具競爭力的薪酬保留具合適才能的董事和員工。為此，董事會已成立薪酬委員會。按本公司薪酬政策的規定，所有董事或其聯繫人不可參與與其薪酬有關的決定。

CORPORATE GOVERNANCE REPORT (continued)

REMUNERATION OF DIRECTORS (continued)

The remuneration committee comprises three independent non-executive directors and two non-executive directors. The members are Mr Chow Wan Hoi, Paul (committee chairman), Mr Lau Wah Sum, Mr Sin Cho Chiu, Charles, Mr Tse Pang Yuen and Mr Yau Allen Lee-Nam. The main duties of the committee are to assist the Company in formulating remuneration policy and structure for directors and senior management; to determine the remuneration packages for all executive directors and senior management; to make recommendation to the Board on the remuneration for non-executive directors and independent non-executive directors; to review and approve performance-based remuneration by reference to corporate goals and objectives; and to review and approve compensation payable to executive directors and senior management and compensation arrangements relating to dismissal or removal of directors for misconduct. Details of the committee's authority and duties are set out in the written terms of reference, a copy of which is available on application to the company secretary.

Remuneration for executive directors and senior management is determined by the remuneration committee on the recommendation of the chief executive officer (except Mr Cheong Hooi Hong whose remuneration package is determined by the committee without reference to the chief executive officer) on an annual basis. The remuneration committee also makes recommendation to the Board on the review of remuneration for non-executive directors and independent non-executive directors annually.

The level of remuneration payable to the directors is determined by reference to a number of factors, including remuneration paid by comparable companies; the Group's results as well as workload, responsibility, and time commitment of the directors. When determining the remuneration packages for senior management, the remuneration committee takes the factors including market condition, the Group's results, individual performance, job nature and duties into consideration.

Other than the retirement scheme as set out in note 25 to the financial statements on page 110, the Group does not have any long-term incentive scheme.

企業管治報告 (續)

董事薪酬 (續)

薪酬委員會由三名獨立非執行董事和兩名非執行董事組成。成員包括周雲海先生(委員會主席)、劉華森先生、冼祖昭先生、謝鵬元先生和姚李男先生。該委員會的主要職責是協助本公司制訂董事及高層管理人員的薪酬政策及結構;審批所有執行董事和高層管理人員的薪酬;向董事會建議非執行董事和獨立非執行董事的薪酬;按公司目標檢討及批准以表現釐定的薪酬;和檢討及批准向執行董事和高層管理人員支付的賠償和因董事行為失當而解僱或罷免有關董事的賠償安排。薪酬委員會的書面職權範圍已詳細闡明其權力和責任,有關資料的副本可向公司秘書索取。

執行董事和高層管理人員的薪酬每年由薪酬委員會在考慮行政總裁的建議後釐定(唯鍾輝煌先生的薪酬則在無須聽取行政總裁的建議下,由薪酬委員會全權決定)。薪酬委員會每年亦就非執行董事和獨立非執行董事的薪酬向董事會作出建議。

董事之薪酬水平乃根據若干因素而決定,包括同類公司支付的薪酬、本集團業績、各董事的工作量、責任和須付出的時間。在釐定高層管理人員的薪酬時,薪酬委員會考慮的因素則包括市場狀況、本集團業績、個人表現、工作性質和職責。

除列載於第110頁的財務報表附註25的退休計劃外,本集團並無任何長期的獎勵計劃。

CORPORATE GOVERNANCE REPORT (continued)

REMUNERATION OF DIRECTORS (continued)

During the year ended 31 March 2006, the remuneration committee held three meetings, at which, the committee reviewed the Company's remuneration policy and structure; considered and fixed the remuneration packages for executive directors and senior management by assessing their respective performance and made recommendation on the remuneration for non-executive directors.

The attendance record of each committee member is set out below:

Members	成員	Meetings attended/ Eligible to attend 出席會議次數/ 召開會議次數
Mr Chow Wan Hoi, Paul (committee chairman)	周雲海先生 (委員會主席)	3/3
Mr Lau Wah Sum	劉華森先生	1/3
Mr Sin Cho Chiu, Charles	冼祖昭先生	3/3
Mr Tse Pang Yuen	謝鵬元先生	3/3
Mr Yau Allen Lee-Nam	姚李男先生	2/3

NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are currently performed by the Board.

As regards nomination of directors, the Board is responsible for the appointment, re-appointment and removal of directors. The process for re-election of a director is pursuant to the Company's Articles of Association, which requires that (i) every director should be subject to retirement by rotation at least once every three years and a retiring director shall be eligible for re-election; and (ii) directors who are appointed by the Board as an addition to the Board or to fill a casual vacancy shall retire at the next annual general meeting but are eligible for re-election. An amendment to the Company's Articles of Association will be proposed at the forthcoming annual general meeting to require directors who are appointed by the Board to fill a casual vacancy to retire at the next general meeting (instead of the next annual general meeting) for consistency with code provision A.4.2 of the CG Code.

企業管治報告 (續)

董事薪酬 (續)

於截至二零零六年三月三十一日止年度，薪酬委員會共召開三次會議，並於會上檢討本公司的薪酬政策及結構；根據執行董事和高層管理人員的表現釐定其薪酬和就非執行董事的薪酬作出建議。

各委員會成員出席會議之次數如下：

董事提名

由於提名委員會的角色和職能現由董事會擔任，故本公司並未成立提名委員會。

在董事提名方面，董事會負責委任、重新委任及罷免董事。重選董事的程序乃按本公司組織章程細則而規定 (i) 各董事須最少每三年輪值退任一次，唯退任的董事可膺選連任；及 (ii) 因新增董事會成員或填補臨時空缺而獲董事會委任的董事，須在下次股東周年大會退任，唯該董事亦可膺選連任。為使與企業管治常規守則第A.4.2條的規定一致，本公司將於即將舉行的股東周年大會上建議就因填補臨時空缺而獲委任的董事須於下次股東大會（並非下次股東周年大會）退任之事宜對公司組織章程細則進行修訂。

CORPORATE GOVERNANCE REPORT (continued)

NOMINATION OF DIRECTORS (continued)

During the financial year ended 31 March 2006, the Board has made recommendation and provided biographical details to shareholders on directors standing for re-election. The Chairman from time to time reviews the composition of the Board with particular regard to the number of independent non-executive directors. The Board also reviews and determines the suitability and terms for re-appointment of the directors.

Among the six board meetings held during the year ended 31 March 2006, two of the meetings have covered issues in relation to the re-appointment of directors.

AUDITORS' REMUNERATION

During the year ended 31 March 2006, the Auditors of the Company, KPMG, provided audit services to the Group of a value of approximately HK\$1,256,000. KPMG also provided non-audit services to the Group of a value of approximately HK\$530,000, including HK\$219,000 and HK\$259,000 being provision of tax services and charges on interim review respectively.

AUDIT COMMITTEE

The primary responsibilities of the audit committee are to make recommendation to the Board on appointment, re-appointment and removal of external auditors; to approve remuneration and terms of engagement, and handle all issues relating to resignation or dismissal in respect of external auditors; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policy on engagement of external auditors to supply non-audit services; to oversee financial reporting system and internal control procedure and to review financial information of the Group. Details of the committee's authority and duties are set out in the written terms of reference, a copy of which is available on application to the company secretary.

The audit committee comprises three independent non-executive directors and two non-executive directors. The members are Mr Chow Wan Hoi, Paul (committee chairman), Mr Lau Wah Sum, Mr Sin Cho Chiu, Charles, Mr Tse Pang Yuen and Mr Yau Allen Lee-Nam.

企業管治報告 (續)

董事提名 (續)

於截至二零零六年三月三十一日止年度，董事會已向股東就膺選連任的董事作出建議和提供該等董事的個人資料。主席亦不時檢討董事會的組合，並特別留意獨立非執行董事的人數。董事會亦對重新委任的董事之適合性及年期作出檢討及決定。

在截至二零零六年三月三十一日止年度內所召開的六次董事會會議中，兩次會議與重新委任董事有關。

核數師薪酬

於截至二零零六年三月三十一日止年度，本公司核數師一畢馬威會計師事務所向本集團提供價值約港幣1,256,000元的審核服務。畢馬威會計師事務所亦向本集團提供價值約港幣530,000元之非審核服務，其中包括分別為港幣219,000元和港幣259,000元的稅務服務和中期審閱服務。

審核委員會

審核委員會的主要職責是向董事會就委任、重新委任及罷免外聘核數師作出建議；批准外聘核數師的薪酬、聘用條款及處理所有有關該核數師辭職或辭退該核數師的事宜；檢討及監察外聘核數師的獨立性及客觀性和審核程序的效率；制訂及推行由外聘核數師提供非審核服務的政策；監督財務申報制度及內部監控程序和檢討本集團的財務資料。審核委員會的書面職權範圍已詳細闡明其權力和責任，有關資料的副本可向公司秘書索取。

審核委員會由三名獨立非執行董事和兩名非執行董事組成。成員包括周雲海先生（委員會主席）、劉華森先生、冼祖昭先生、謝鵬元先生和姚李男先生。

CORPORATE GOVERNANCE REPORT (continued)

AUDIT COMMITTEE (continued)

During the year ended 31 March 2006, the audit committee met three times, at which the audit committee approved the remuneration of the external auditors; reviewed the half-year and annual financial statements before submission to the Board for approval; discussed with the external auditors the nature and scope of the audit before commencement of audit; assisted the Company in developing a policy on engagement of external auditors to supply non-audit services; reviewed the Group's financial control, internal control and risk management systems and met the external auditors without the presence of executive Board members.

The attendance record of each committee member is set out below:

Members	成員	Meetings attended/ Eligible to attend 出席會議次數/ 召開會議次數
Mr Chow Wan Hoi, Paul (committee chairman)	周雲海先生 (委員會主席)	3/3
Mr Lau Wah Sum	劉華森先生	1/3
Mr Sin Cho Chiu, Charles	冼祖昭先生	3/3
Mr Tse Pang Yuen	謝鵬元先生	3/3
Mr Yau Allen Lee-Nam	姚李男先生	2/3

INTERNAL CONTROL

The Board, with the assistance of the audit committee, is responsible for maintaining and reviewing the effectiveness of the Company's internal control system. Procedure and systems are in place to safeguard assets against unauthorised use or disposition; to maintain proper accounting records and to ensure accuracy of financial information and compliance with applicable statutes, rules and regulations. Defined roles, responsibilities and reporting lines are established. However, these procedure and systems are designed to minimise and mitigate the risk of failure in operation and achievement of the Company's objectives and can only provide reasonable but not absolute assurance against errors, losses or fraud.

企業管治報告 (續)

審核委員會 (續)

於截至二零零六年三月三十一日止年度，審核委員會共召開三次會議，並於會上批准外聘核數師的薪酬；在向董事會提交中期及年度財務報表前對該等文件進行審閱；在審核開始前與外聘核數師討論審核性質及範疇；協助本公司制訂由外聘核數師提供非審核服務的政策；檢討本集團的財務監控、內部監控及風險管理制度和在沒有董事會行政成員在場下會見外聘核數師。

各委員會成員出席會議之次數如下：

內部監控

在審核委員會的協助下，董事會負責維持及檢討本公司內部監控系統的成效。本公司已制定程序和系統，務使本公司資產免在未准許的情況下被使用或處置；和會計紀錄得以妥善保存；並確保本公司財務資料的準確性及本公司有遵守適用的法規、條例及規則。除此以外，員工的角色、職權及匯報途徑亦清楚界定。然而，該等程序和系統旨在減少和緩和因運作失誤及無法達到本公司目標所產生的危機而設，並非可絕對防範錯誤、損失或訛騙。