

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of Shareholders' value.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2006 including the deviations as disclosed in the interim report of the Company for the six months ended 30 September 2005.

The Company will continue to seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for shareholders.

## CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

To comply with code provision A.5.4 of the CG Code, the Company has in September 2005 the Model Code also adopted for securities transactions by certain employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

## THE BOARD

The Board currently comprises seven Directors and its composition is set out as follows:

### Executive Directors

Mr. Tang Ching Ho (*Chairman*)

Ms. Yau Yuk Yin (*Deputy Chairman*)

Mr. Chan Chun Hong, Thomas (*Managing Director*)

### Independent Non-executive Directors ("INEDs")

Dr. Lee Peng Fei, Allen

Mr. Wong Chun, Justein

Mr. Siu Yim Kwan, Sidney

Mr. Siu Kam Chau

The brief biographical details of the Directors are set out on page 8 of this Annual Report.

The Company has four INEDs representing more than one-third of the Board. The Board possesses a balance of skill and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs of the Company in the Board meetings facilitate the maintenance of good corporate governance practices. At least one independent non-executive directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rule 3.10 (1) and (2) of the Listing Rules. A balanced composition of executive and non-executive directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All INEDs are free from any business or other relationship with the Company. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three Independent Non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the interim control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held to approve major issues. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.

During the year, four Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

	<b>Attendance</b>
<b>Executive Directors:</b>	
Mr. Tang Ching Ho ( <i>Chairman</i> )	4/4
Ms. Yau Yuk Yin ( <i>Deputy Chairman</i> )	4/4
Mr. Chan Chun Hong, Thomas ( <i>Managing Director</i> )	4/4
<b>INEDs:</b>	
Dr. Lee Peng Fei, Allen	4/4
Mr. Wong Chun, Justein	4/4
Mr. Siu Yim Kwan, Sidney	4/4
Mr. Siu Kam Chau	4/4

## **ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles of the Chairman and the Chief Executive Officer (“CEO”) are separate to reinforce their respective independence and accountability. The Chairman of the Company is Mr. Tang Ching Ho who is primarily responsible for the leadership of the Board, while the functions of a CEO are performed by the Managing Director, Mr. Chan Chun Hong, Thomas, who is also an Executive Director of the Company. Their responsibilities are clearly segregated and have been set out in writing and approved by the Board in September 2005.

## **BOARD COMMITTEE**

The Board has established various committees, including the Remuneration Committee, Nomination Committee and Executive Committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate.

## REMUNERATION COMMITTEE

The Remuneration Committee was established in September 2005 in order to comply with code provision B.1.1 of the CG Code. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy, if considered necessary.

It currently consists of seven members, including Messrs. Wong Chun, Justein (Chairman), Lee Peng Fei, Allen, Siu Yim Kwan, Sidney, Siu Kam Chau, Tang Ching Ho, Yau Yuk Yin and Chan Chun Hong, Thomas, a majority of whom are INEDs.

The Remuneration Committee meets at least once a year. One Committee meeting was held during the financial year to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

Committee member	Attendance
Mr. Wong Chun, Justein ( <i>Chairman</i> )	1/1
Dr. Lee Peng Fei, Allen	1/1
Mr. Siu Yim Kwan, Sidney	1/1
Mr. Siu Kam Chau	1/1
Mr. Tang Ching Ho	1/1
Ms. Yau Yuk Yin	1/1
Mr. Chan Chun Hong, Thomas	1/1

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the directors' remuneration are set out in note 8 to the consolidated financial statements.

## AUDIT COMMITTEE

The role of Audit Committee was established in December 1999 in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting, internal controls and to make relevant recommendations to the Board. The Audit Committee comprises three INEDs, namely, Mr. Siu Yim Kwan, Sidney (Chairman), Mr. Wong Chun, Justein and Mr. Siu Kam Chau.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee meets at least twice a year. Two Committee meetings were held during the year and the attendance of each member is set out as follows:

Committee member	Attendance
Mr. Siu Yim Kwan, Sidney ( <i>Chairman</i> )	2/2
Mr. Wong Chun, Justein	2/2
Mr. Siu Kam Chau	2/2

During the year under review, the Audit Committee reviewed the financial statements for the year ended 31 March 2006.

## NOMINATION COMMITTEE

The Nomination Committee has been established in September 2005 and currently consists of seven members, including Messrs. Lee Peng Fei, Allen (*Chairman*), Wong Chun, Justein, Siu Yim Kwan, Sidney, Siu Kam Chau, Tang Ching Ho, Yau Yuk Yin and Chan Chun Hong, Thomas, a majority of whom are INEDs.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment etc) identify and recommend proposed candidates to the Board.

During the year, the Nomination Committee did not hold any meeting for the nomination of directors.

## EXTERNAL AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, Ernst & Young, for the year ended 31 March 2006, are set out as follows:

Services rendered for the Group	Fees paid to E&Y <i>HK\$'000</i>
Audit services	
– annual	1,150
– interim	300
Non-audit services:	
– Taxation and professional services	183
– Other professional services	160
<b>Total:</b>	<b>1,793</b>

### **COMMUNICATION WITH SHAREHOLDERS**

The Board recognizes the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company also acknowledges that general meeting are valuable forums for the Board to communicate directly with the Shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

### **RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS**

The Directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 23 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.