

# Corporate Governance Report

Good corporate governance practices are crucial to the smooth and effective operation of a company and its ability to attract investment and protect shareholders' interest. The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

On 1st January 2005, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules became effective. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. From the Listing Date to 31st March 2006, the Company has met the code provisions as set out in the Code.

## CONDUCT ON SHARE DEALINGS

From the Listing Date to the date of this report, the Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for securities transactions by the Directors. The Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code during the period.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

## THE BOARD OF DIRECTORS

### Composition and Function

The Board comprises eight Directors, of which five are executive Directors and the remaining three are independent non-executive Directors.

As at 31st March 2006, the Directors were:

<b>Name of Directors</b>	<b>Title</b>	<b>Date of Appointment</b>
<i>Executive Directors</i>		
Mr. TIONG Kiu King	Executive Director and Chairman	14th April 2005
Mr. TIONG Kiew Chiong	Executive Director and Deputy Chairman	11th March 2005
Mr. Peter Bush BRACK	Executive Director and Chief Executive Officer	14th April 2005
Mr. TUNG Siu Ho, Terence	Executive Director and Chief Operating Officer	14th April 2005
Mr. Robert William Hong-San YUNG	Executive Director and Chief Strategy Officer	14th April 2005
<i>Independent Non-Executive Directors</i>		
Mr. YU Hon To, David	Independent non-executive Director	20th June 2005
Mr. SIT Kien Ping, Peter	Independent non-executive Director	20th June 2005
Mr. TAN Hock Seng, Peter	Independent non-executive Director	20th June 2005

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The biographies of each of the Directors are set out on pages 18 to 19.

Pursuant to the written guidelines adopted by the Company, specific matters are reserved to the Board for its decision and certain matters are delegated to the senior management.

The Board is responsible for, inter alia:

- (a) reviewing and approving the strategic direction of the Group established by executive Directors in conjunction with the management;
- (b) reviewing and approving objectives, strategies and business development plans set by Executive Committee;
- (c) monitoring the performance of the Chief Executive Officer and the senior management;
- (d) enhancing the standard of corporate governance; and
- (e) reviewing the effectiveness of the internal control system of the Group.

The senior management and the Executive Committee, under the leadership of the Chief Executive Officer, are responsible for:

- (a) formulating strategies and business development plans, submitting the same to the Board for approval and implementing such strategies and business development plans thereafter;
- (b) submitting reports on the Group's operations to the Board on a regular basis;
- (c) reviewing annual budgets and submitting the same to the Board for approval;
- (d) reviewing salary increment proposal and remuneration policy and submitting the same to the Board for approval; and
- (e) assisting the Board in conducting the review of the effectiveness of the internal control system of the Group.

## Independence of Independent Non-Executive Directors

Pursuant to the requirements of the Listing Rules, the Company has received annual written confirmation from each independent non-executive Director of his independence to the Group. The Group has reviewed and considered all independent non-executive Directors to be independent.

## Proceedings and Retirement of Directors

In accordance with the Articles, subject to the manner of retirement by rotation of directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The term of appointment of the independent non-executive Directors is one year and six months starting from 1st October 2005 and ending on 31st March 2007.

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All Directors have access to board papers and related materials, and are provided with adequate information on a timely manner. The Directors may, if necessary, seek legal or other independent professional advice at the expense of the Company pursuant to a written guideline adopted by the Board. In respect of regular board meetings or committee meetings, the agenda is sent out to the Directors at least fourteen days before the meeting and the accompanying papers are sent at least three days before the intended date of meeting for information.

## Directors' Responsibilities

In relation to the financial reporting, all Directors acknowledge their responsibilities for preparing the financial statements of the Group. Directors are indemnified against all costs and liabilities that may be incurred by them in the execution of their duties. A Directors' and Officers' Liability Insurance policy has been arranged for providing the indemnity.

## GOVERNANCE STRUCTURE

As an integral part of good corporate governance, the Board has established the following committees whose authority, functions, composition and duties of each of the committees are set out below:

### 1. Executive Committee

The Executive Committee is the decision-making body for day-to-day operation of the Group which comprises Mr. TIONG Kiew Chiong, Mr. ONG See Boon, Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence, Mr. Robert William Hong-San YUNG and Mr. LAM Pak Cheong.

Its main duties include performing duties delegated by the Board and exercising the authorities and rights authorized by the same pursuant to the written guidelines.

### 2. Remuneration Committee

The Remuneration Committee, established on 26th September 2005, has five members, namely, Mr. SIT Kien Ping, Peter, Mr. YU Hon To, David, Mr. TAN Hock Seng, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. SIT Kien Ping, Peter is the Chairman of the Remuneration Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The functions of the Remuneration Committee include, among other things:

- (a) making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management;
- (b) establishing a formal and transparent procedure for developing policy on remuneration; and
- (c) determining specific remuneration packages for the Directors and senior management.

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The remuneration of all the Directors and their respective interest in share options are set out in note 22 to the financial statements and under the “Share Options” paragraph in the Report of the Directors of this report.

Since the establishment of the Remuneration Committee, it has reviewed and made recommendation to the Board about the terms of the service contracts and remuneration policy of the executive Directors and senior management.

## 3. Nomination Committee

The Nomination Committee, established on 26th September 2005, has five members, namely, Mr. TAN Hock Seng, Peter, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. TAN Hock Seng, Peter is the Chairman of the Nomination Committee.

Written terms of reference have been adopted by the Board in accordance with the recommendations in the Listing Rules. The functions of the Nomination Committee include, among other things, making recommendations to the Board on the Group’s nomination policy and procedures and recommending candidates for directorship.

Since the establishment of the Nomination Committee, it has reviewed the structure, size and composition of the Board and made recommendations to the Board.

## 4. Audit Committee

The Audit Committee, established on 26th September 2005, has three members, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. They are all independent non-executive Directors. Mr. YU Hon To, David is the Chairman of the Audit Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The duties of the Audit Committee include, among other things:

- (a) overseeing the relationship with the Company’s external auditors;
- (b) making recommendation to the Board on the appointment, re-appointment and removal of the external auditors;
- (c) reviewing the financial information of the Group including monitoring the integrity of Group’s financial statements, annual report and accounts, half-year report and reviewing significant financial reporting judgments contained therein; and
- (d) overseeing the Group’s financial reporting system and internal control procedures.

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Since the establishment of the Audit Committee, it has met with the management and the external auditors and reviewed and made recommendation to the following matters:

- (a) reviewed the audited financial statements for the year ended 31st March 2006 and the interim report for the six months ended 30th September 2005;
- (b) reviewed and considered the report from the external auditors on the audit of the Group's financial statements;
- (c) made recommendation to the Board for the appointment of the external auditors;
- (d) reviewed the external auditors' audit plan; and
- (e) recommended to the Board to set up an internal audit department of the Group.

## Number of Meetings and the Attendance Rate

The following table shows the number of regular board meetings and committee meetings held since the Listing Date as well as the attendance rate of each Director.

### Attendance rate

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. TIONG Kiu King	1/1	N/A	N/A	N/A
Mr. TIONG Kiew Chiong	1/1	2/2	2/2	1/1
Mr. Peter Bush BRACK	1/1	2/2	2/2	1/1
Mr. TUNG Siu Ho, Terence	1/1	N/A	N/A	N/A
Mr. Robert William Hong-San YUNG	1/1	N/A	N/A	N/A
Mr. YU Hon To, David	1/1	2/2	2/2	1/1
Mr. SIT Kien Ping, Peter	1/1	2/2	2/2	1/1
Mr. TAN Hock Seng, Peter	1/1	2/2	2/2	1/1

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## THE DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

With a view to maintaining an effective segregation of duties, the position of the Chairman and the Chief Executive Officer are split and each plays a distinctive role. The Chairman is mainly responsible for the leadership and effective operation of the Board and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and the Chief Executive Officer is delegated with the authority and is mainly responsible for the operation of the Group's business and the implementation of the approved strategies with a view to achieving the corporate objectives.

## EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") was appointed as the Group's external auditors for the year ended 31st March 2006. During the year, PwC provided the following audit and non-audit services to the Group:

	HK\$'000
Annual audit services	800
Non-audit services – IPO	1,170
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	1,970
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PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in September 2006.

A statement by PwC about their reporting responsibilities on the financial statements of the Group is set out in the "Auditors' Report" section on page 34.

## AMENDMENT TO ARTICLES OF ASSOCIATION

To align with the amendment made to paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B of the Listing Rules, the Articles are to be amended and approved by shareholders at the annual general meeting to be held in September 2006 to the effect that where it is not otherwise provided by law, the Company in general meeting shall have power by ordinary resolution (instead of special resolution) to remove any director before the expiration of his period of office. Certain minor housekeeping amendments to the Articles will also be proposed at the annual general meeting. Details of the amendment to the Articles are set out in the circular to shareholders to be dispatched before the 2006 annual general meeting.

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## PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31st March 2006.

## SHAREHOLDERS' RIGHTS

The objective of shareholders communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner. The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars.

## INTERNAL CONTROL

Internal control system is designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. The management is obliged to maintain the effectiveness of the internal control systems and to report any significant changes, deficiencies and material weaknesses in these systems to the Audit Committee and the Group's external auditors.

A review of the Group's internal control system and procedures was conducted by a Certified Public Accountant during the financial year ended 31st March 2006. The review covered the following major areas:

- (a) Sales orders handling procedures;
- (b) Fixed assets physical count and capitalization policy;
- (c) Computer controls;
- (d) Accounting issues, standards and policies; and
- (e) Related parties transactions.

Recommendation for improvement was made and the Company's management has adopted such recommendation.

The Company will disclose further information on the review of the internal control systems of the Company in 2007 Annual Report pursuant to paragraph C.2.1 of the Code.