

## CORPORATE GOVERNANCE REPORT

### COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of 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.

### THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board comprises fourteen Directors, whose biographical details are set out in the "Profile of the Directors" of this Annual Report. Four of the Directors are executive, five are non-executive, three are independent non-executive and two are alternate. The eight non-executive Directors has a broad range of financial, regulatory and commercial experience and skills, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Report of Directors of this Annual Report for the composition of the Board.

The posts of Chairman and Managing Director & Chief Executive are held separately by Mr. Deacon Te Ken Chiu and Mr. Derek Chiu respectively and their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for formulating and setting Group strategies and policies in conjunction with the Board.

The Managing Director & Chief Executive is responsible for managing the Group strategic initiatives, investor relations, corporate and investor communications, mergers/acquisitions and financing.

Pursuant to the requirement of the Listing Rules, the Company has received confirmation from all three independent non-executive Directors of their independence from the Company and considers them to be independent.

## CORPORATE GOVERNANCE REPORT

The Board met on four times during the year ended 31 March 2006. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
<b>Executive Directors</b>		
Deacon Te Ken CHIU ( <i>Chairman</i> )	2	50%
Derek CHIU ( <i>Managing Director and Chief Executive</i> )	4	100%
Desmond CHIU ( <i>Deputy Managing Director</i> )	2	50%
Margaret CHIU	0	0%
<b>Non-executive Directors</b>		
CHIU JU Ching Lan	0	0%
Dick Tat Sang CHIU	0	0%
Tan Sri Dato' David CHIU	0	0%
Dennis CHIU	0	0%
Duncan CHIU	1	25%
<b>Independent Non-executive Directors</b>		
IP Shing Hing	2	50%
NG Wing Hang Patrick	3	75%
CHOY Wai Shek Raymond	3	75%
<b>Alternate Directors</b>		
CHAN Chi Hing ( <i>Alternate Director to Deacon Te Ken CHIU</i> )	0	0%
TANG Sung Ki ( <i>Alternate Director to Desmond CHIU</i> )	4	100%

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE

The Board confines itself to making broad policy decisions, such as the Group's overall strategies, policies and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established Audit and Remuneration Committees in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2006, with deviations from code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of Directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term and Managing Director is not subject to re-election by rotation by the Company's Articles of Association (the "Articles") 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retires from his office at the forthcoming annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 76. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

### INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

### COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

### AUDITORS' REMUNERATION

For the year ended 31 March 2006, the Auditors of the Company received approximately HK\$650,000 for audit service (2005: approximately HK\$500,000).

### MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 March 2006.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the financial statements is set out in the Report of the Auditors of this Annual Report.

### AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the Code.

The Audit Committee has reviewed with management and auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements. The Audit Committee comprises three independent non-executive directors, namely, Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and one non-executive director, Mr. Duncan Chiu.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the financial year ended 31 March 2006.

The Group's interim report for the six months ended 30 September 2005 and the annual report for the year ended 31 March 2006 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

## CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2006, the Audit Committee held two meetings. The individual attendance record of each member of the Audit Committee is as follows:

	<b>Number of meetings attended</b>	<b>Attendance rate</b>
Mr. Ip Shing Hing	2	100%
Mr. Ng Wing Hang Patrick	2	100%
Mr. Choy Wai Shek Raymond	2	100%
Mr. Duncan Chiu	0	0%

### REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive, Mr. Derek Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code. No Director is involved in deciding his own remuneration.

During the financial year ended 31 March 2006, the Remuneration Committee held one meeting. The individual attendance record of each member of the Remuneration Committee is as follows:

	<b>Number of Meetings attended</b>	<b>Attendance rate</b>
Mr. Derek Chiu	1	100%
Mr. Ng Wing Hang Patrick	1	100%
Mr. Choy Wai Shek Raymond	1	100%