

The Board of Directors of the Company (the “Board”) is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2006, except that certain board meetings are held with shorter than 14 days which is a deviation from code provision A.1.3 of the Code, and that the Independent Non-Executive Directors are appointed with no specific terms which is a deviation from code provision A.4.1 of the Code.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

### **BOARD OF DIRECTORS**

Up to the date of this annual report, the Board comprises eight members, five of which are Executive Directors, namely Mr. Chi Chi Hung, Kenneth who is the Chairman of the Board, Mr. Cho Kwai Yee, Kevin, Ms. Choi Ka Yee, Crystal, Mr. Siu Kam Chau and Dr. Fung Yiu Tong, Bennet. The other three members are Independent Non-Executive Directors, namely Mr. Chan Chi Yuen, Mr. Chun Jay and Mr. Lo Chun Nga.

The Board held nine meetings during the year ended 31 March 2006. The Board is responsible for the formulation of the Group’s business strategies and overall policies, and monitoring the performance of the management. The Executive Directors are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice at the expense of the Company.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Chi Chi Hung, Kenneth, the Chairman of the Company and Mr. Cho Kwai Yee, Kevin, Chief Executive Officer since 2006, have segregated and clearly defined roles.

### **NON-EXECUTIVE DIRECTORS**

The Company has received written confirmation from each of the Independent Non-Executive Directors as regards to their independence to the Company as required under the Listing Rules.

The Company considers that each of the Independent Non-Executive Directors is independent to the Company.

None of the Independent Non-Executive Directors is appointed for a specific term but are subject to rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

### **REMUNERATION COMMITTEE**

The Remuneration Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages for all the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

Up to the date of this annual report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lo Chun Nga, who is the Chairman, Mr. Chan Chi Yuen and Mr. Chun Jay.

The Remuneration Committee held one meeting during the year ended 31 March 2006. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages of all the Directors and senior management to the Board.

### **NOMINATION OF DIRECTORS**

The Company does not have a nomination committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of the annual general meeting contains detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to enable shareholders to make an informed decision on their election.

### **AUDITORS' REMUNERATION**

The remuneration payable to the Group's auditors, HLB Hodgson Impey Cheng, for its audit services and non-audit services for the year ended 31 March 2006 amounted to HK\$280,000.

### **AUDIT COMMITTEE**

The Audit Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditor, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other legal requirements, and to review the Group's financial reporting system and internal control procedures.

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Lo Chun Nga as the Chairman of the Committee, Mr. Chan Chi Yuen and Mr. Chun Jay.

The Audit Committee held two meetings during the year ended 31 March 2006. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2005 and for the six months ended 30 September 2005 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditors for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2006 with the Directors.

## ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 March 2006 is set out below:

Director	Number of meetings attended/held		
	Board	Audit Committee	Remuneration Committee
<i>Executive Director</i>			
Chi Chi Hung, Kenneth ( <i>Chairman</i> )	9/9	–	–
Cho Kwai Yee, Kevin (appointed on 14 March 2006)	1/9	–	–
Choi Ka Yee, Crystal (appointed on 14 March 2006)	1/9	–	–
Siu Kam Chau (appointed on 14 March 2006)	1/9	–	–
Wong Hin Shek, Hans (resigned on 14 March 2006)	8/9	–	–
<i>Independent Non-Executive Director</i>			
Chun Jay	4/9	2/2	1/1
Chan Chi Yuen	4/9	2/2	1/1
Lau Man Tak (resigned on 22 May 2006)	4/9	2/2	1/1

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the Company and of the loss and cash flows of the Group for the year ended 31 March 2006 in accordance with the Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Auditors' Report on page 20.

## **INTERNAL CONTROLS**

The Directors have the overall responsibility for internal control, including risk management, and sets appropriate policies having regard to the objectives of the Group. The Directors, through the Audit Committee, have continued to review the effectiveness of the Group's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits.