

Report of corporate governance

Corporate governance practices

Throughout the year ended March 31, 2006, the Group has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective on January 1, 2005, except for the deviations from Code Provision A.4.2 which is explained in the following relevant paragraphs and also the code provision on internal controls which are to be implemented for accounting periods on or after July 1, 2005 pursuant to the CG Code.

Directors' securities transactions

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

Board of directors

Composition of the Board of Directors

The Board of Directors of the Company (the "Board") comprises seven Directors, of whom three are Executive Directors, namely Ms Cheung Yin Sheung Subraina, Mr Tong Kwong Fat, Ms Yung Wing Sze Vivian, a Non-executive Director, namely Ms To Ming Oi Wendy and, three are Independent Non-executive Directors, namely Mr Chan Ka Ling Edmond, Mr Lo Wa Kei Roy and Mr Ching Kwok Ho Samuel. Each of Directors' respective biographical details is set out in the "Biographical details of directors and senior management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Board, save as the family relationships set out in the "Biographical details of directors and senior management" of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Ms Cheung Yin Sheung Subraina and Mr Tong Kwong Fat respectively. Ms Cheung Yin Sheung Subraina is the spouse of Mr Tong Kwong Fat. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

Functions of the Board of Directors

The Board is responsible for the leadership and control of the Company, oversee the Group's businesses and evaluate the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The Board delegates day-to-day operations of the Group to executive directors and senior management who perform their duties under the leadership of the Chairman.

Independent Non-executive Directors

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors. And among the three independent non-executive Directors, two of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr Chan Ka Ling Edmond, Mr Lo Wa Kei Roy and Mr Ching Kwok Ho Samuel to be independent.

Board of directors (continued)

Directors' Appointment, Re-election and Removal

All non-executive Directors are appointed for a specific term 1 year subject to the retirement and reappointment provisions in the Bye-law of the Company (the "Bye-laws").

According to the code provision A4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointments. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws, 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 exceeding one-third) shall retire from office by rotation at each annual general meeting of the Company, but the directors were not required to retire by rotation at least once every three years. In addition, according to the Bye-laws, any directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting. In order to ensure full compliance with code provision A.4.2, a special resolution will be proposed to amend the relevant Bye-laws at the forthcoming Annual General Meeting to be held on September 25, 2006, so that every director appointed by the Board during the year, if any, shall retire at the next general meeting. Every director shall be subject to retirement at least once every three years.

Board meetings and Board Practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 4 meetings. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate detail and all minutes are kept by Company Secretary and are open for inspections by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended March 31, 2006, the Company held 4 Board meetings, and the Directors' attendance records for those meetings held are set out below.

Directors' Attendance at Board Meetings

	Directors' Attendance
Executive Directors	
Ms Cheung Yin Sheung Subraina (Chairman)	4/4
Mr Tong Kwong Fat	4/4
Ms Yung Wing Sze Vivian	4/4
Non-executive Director	
Ms To Ming Oi Wendy (appointed on January 1, 2006)	0/0
Independent Non-executive Directors	
Mr Chan Ka Ling Edmond	3/4
Mr Lo Wa Kei Roy	3/4
Mr Tsang Wai Kit	3/4

Board Committees

Audit Committee

The Company has established an audit committee on March 14, 2000 with written terms of reference in accordance with the requirements of the CG Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr Chan Ka Ling Edmond, Mr Lo Wa Kei Roy and Mr Ching Kwok Ho Samuel. Mr Chan Ka Ling Edmond is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and financial reporting matters. The financial statements of the Group for the year ended March 31, 2006 have been reviewed by the audit committee and there were 3 meetings held during the year ended March 31, 2006. The attendance records for the audit committee meetings are set out below:

	Directors' Attendance
Members of the audit committee	
Mr Chan Ka Ling Edmond	3/3
Mr Lo Wa Kei Roy	3/3
Mr Tsang Wai Kit	3/3

Remuneration Committee

The Company established a remuneration committee on September 28, 2005 with terms of reference in compliance with the provisions set out in the CG Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. It comprises three members, including the Company's two independent non-executive Directors, namely Mr Chan Ka Ling Edmond and Mr Lo Wa Kei Roy and an executive director, Ms Yung Wing Sze Vivian. Mr Chan Ka Ling Edmond is the Chairman of the remuneration committee.

The remuneration committee meets at least once a year. During the financial year ended March 31, 2006, the remuneration committee has held 1 meeting to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management as necessary. The attendance record of individual committee members is set out as below:

	Directors' Attendance
Members of the remuneration committee	
Mr Chan Ka Ling Edmond	1/1
Mr Lo Wa Kei Roy	1/1
Ms Yung Wing Sze Vivian	1/1

Nomination of Directors

According to the CG Code, it is recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the board members, therefore, the Company has not established a nomination committee.

The Board is responsible for considering to select and recommend candidates for directorship which based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

Auditors' remuneration

During the year ended March 31, 2006, there is no fees paid/payable to KLL Associates CPA Limited, the ex-auditors of the Company, who resigned on September 30, 2005.

During the year ended March 31, 2006, the fees paid/payable to BDO McCabe Lo Limited, the existing auditors of the Company, in respect of audit is HK\$320,000.

Directors' responsibility for the financial statements

The Board is responsible for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.