

Corporate Governance Report

INTRODUCTION

The Group is committed to achieving high standards of corporate governance which is crucial to the development of the Group and safeguards the interests of the Company's shareholders. To accomplish this, the Group has adopted practices which meet the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the Company has complied with the Code except code provisions A.4.1 and A.4.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

The Board of Directors comprises five executive Directors, including the Chairman and the chief executive officer, one non-executive Director and four independent non-executive Directors. The Board of Directors is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board of Directors meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board of Directors has delegated certain authorities to the senior management for the day-to-day management of the Group's operation.



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BOARD OF DIRECTORS (continued)

Other than the three executive Directors, namely, Ms. Ng Yee Mei, Mr. Yeung Hon Yuen and Mr. Kuang Hao Kun, Giovanni, who were appointed on 1 June 2006, the attendance of Directors at the four full board meetings held in the year ended 31 March 2006 is as follows:

	Attendance
Executive Directors	
Dr. Lam Sai Wing (<i>Chairman</i>)	4
Ms. Chan Yam Fai, Jane (<i>Deputy chairman</i>)	2
Non-executive Director	
Mr. Wong Kwong Chi	3
Independent non-executive Directors	
Mr. Lee Kok Keung	2
Mr. Liu Ngai Wing	4
Dr. Lui Sun Wing	3
Mr. Lou Ping Ho	4

Ms. Chan Yam Fai, Jane is the wife of Dr. Lam Sai Wing. Mr. Yeung Hon Yuen is the brother-in-law of Dr. Lam Sai Wing.

In annual general meeting, the Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for.

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman of the Board is Dr. Lam Sai Wing and the chief executive officer is Ms. Ng Yee Mei. The division of responsibilities between the Chairman and chief executive officer should be clearly established. The duties of the Chairman include leading the Board to make key decisions as well as strategic planning and development of the Company. The chief executive officer is mainly responsible to carry out the decisions of the Board and the day-to-day management of the Group.

TERMS OF DIRECTORS

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the Company's Bye-Laws. 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. Furthermore, under the Company's Bye-Laws, the chairman of the Board and the managing director of the Company are not subject to retirement by rotation. This constitutes a deviation from the code provision A.4.2. To comply with the code provision, a special resolution for relevant amendments to the Company's Bye-Laws will be proposed at the forthcoming annual general meeting.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in line with the code provisions set out in the Code.

The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee consists of one non-executive Director and four independent non-executive Directors. The Audit Committee is chaired by Mr. Liu Ngai Wing.

During the year, the Audit Committee reviewed with the management for the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements and unaudited interim financial statements.



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AUDIT COMMITTEE (continued)

The members and attendance of the three meetings of the Audit Committee in the year ended 31 March 2006 are as follows:

	Attendance
Members of Audit Committee	
Mr. Wong Kwong Chi	3
Mr. Lee Kok Keung	1
Mr. Liu Ngai Wing	2
Dr. Lui Sun Wing	2
Mr. Lou Ping Ho	3

REMUNERATION COMMITTEE

To comply with the Code, a Remuneration Committee was established on 12 May 2005 with specific written terms of reference which deal clearly with its authority and duties. The Remuneration Committee will meet at least once a year to consider and recommend to the Board the Group's remuneration policy and structure and to review and determine the remuneration packages of the executive Directors and senior management. The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company's performance and market benchmarks.

The Remuneration Committee comprises of one executive Director, one non-executive Director and four independent non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Kok Keung.

During the year, the Remuneration Committee held one meeting to review the remuneration policy of the Company. The members and attendance of the meeting are as follows:

	Attendance
Members of Remuneration Committee	
Dr. Lam Sai Wing	1
Mr. Wong Kwong Chi	0
Mr. Lee Kok Keung	1
Mr. Liu Ngai Wing	1
Dr. Lui Sun Wing	0
Mr. Lou Ping Ho	1

Details of emoluments of the Directors for the year ended 31 March 2006 are set out in Note 9 to the financial statements.

NOMINATION OF DIRECTORS

According to the Bye-laws of the Company, the Board of Directors has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company. On 1 June 2006, Ms. Ng Yee Mei, Mr. Yeung Hon Yuen and Mr. Kuang Hao Kun, Giovanni were appointed as executive Directors.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2006, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fees charged by the Company's auditors

For the year ended 31 March 2006, the fees charged by the Company's auditors in respect of audit and non-audit services amounted to approximately HK\$1,910,000 and HK\$338,800 respectively.

Internal control

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control procedures which include the policies, procedures, monitoring and communication activities and standard of behaviour established for safeguarding the interests of the shareholders of the Company.