

Corporate Governance Report

Introduction

The Company recognises the value and importance to achieving high standards of corporate governance to enhance corporate performance and accountability.

The Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Listing Rules throughout the accounting period covered by this annual report in all material aspects, except code provision C.2 on internal controls which is effective for accounting periods commencing on or after 1 July 2005.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

1 Responsibilities of the Board

The overall management of the Company’s business is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the approval and formulation of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The directors should take decisions objectively in the interests of the Company.

All directors have full and timely access to all relevant information and the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is entitled to seek independent professional advice in appropriate circumstances in discharging his/her duties, at the Company’s expenses.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

2 Board composition

The Board of the Company comprises the following directors:

Executive directors

Lo Lin Shing, Simon (*Chairman*)

Yvette Ong (*Managing Director and Chief Executive Officer*)

Non-executive director

To Hin Tsun, Gerald

Independent non-executive directors

Members of Audit Committee and Remuneration Committee

Peter Pun *OBE, JP*

Wei Chi Kuan, Kenny

Lau Wai Piu (*Chairman of Audit Committee and Remuneration Committee*)

None of the members of the Board is related to one another.

During the year ended 31 March 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Accordingly, the Company considers all independent non-executive directors to be independent.

3 Appointment and succession planning of directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Board has reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The Company has not yet adopted code provision A.4.1 which provides that non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors (including independent non-executive directors) of the Company were not appointed for specific terms. Since the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, 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 CG Code.

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Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Prior to the annual general meeting held on 8 September 2005 ("2005 AGM"), directors of the Company were not required to retire by rotation at least once every three years. To comply with code provision A.4.2, amendments to the Company's Bye-laws were approved by the shareholders at the 2005 AGM to provide, inter alia, that every director shall be subject to retirement by rotation at least once every three years.

4 Attendance record at Board, Audit and Remuneration Committees' Meetings and Annual General Meeting

The individual attendance record of each director at the meetings held during the year ended 31 March 2006 is set out below:

	Attendance of meetings				
	Board	Audit Committee	Remuneration Committee	2005 AGM	
Number of meetings	4	2	1	1	
<i>Executive directors</i>					
Lo Lin Shing, Simon	<i>Chairman</i>	2/4	N/A	N/A	0/1
Yvette Ong	<i>Chief Executive Officer and Managing Director</i>	4/4	2/2*	1/1*	1/1
<i>Non-executive director</i>					
To Hin Tsun, Gerald		1/4	N/A	N/A	0/1
<i>Independent non-executive directors and Members of Audit and Remuneration Committees</i>					
Peter Pun		4/4	2/2	1/1	1/1
Wei Chi Kuan, Kenny		2/4	1/2	1/1	0/1
Lau Wai Piu	<i>Chairman of Audit and Remuneration Committees</i>	4/4	2/2	1/1	1/1

* Attended by invitation

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Practices and conduct of meetings

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Although the Chairman of the Board did not attend the 2005 AGM (which deviates from code provision E.1.2) because of an unexpected urgent business engagement, the Chief Executive Officer had chaired the 2005 AGM and answered questions at the 2005 AGM. The Chairman of the Audit and Remuneration Committees was also available to answer questions at the 2005 AGM.

Code provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting and reasonable notice should be given for all other board meetings.

During the year, the Directors consented to a shorter notice on one of the regular Board meetings.

Code provision A.1.6 stipulates that draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively within a reasonable time after the board meeting is held.

The Company Secretary takes and keeps minutes of all Board and Committees meetings. Draft minutes are normally circulated to the directors for comments within a reasonable time after each meeting. Each Board member is entitled to have access to the Board papers.

5 Chairman and Chief Executive Officer

The positions of the Chairman and Chief Executive Officer are held by Mr. Lo Lin Shing, Simon and Ms. Yvette Ong respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer, who is also the Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

6 Board Committees

The Board has established two committees, namely the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference. The term of reference of the Board Committees are posted on the Company's website and are available to shareholders upon request.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for setting policy on the remuneration of the directors and senior management and fixing the remuneration packages of the directors. The Remuneration Committee is also responsible for ensuring the remuneration packages are sufficient to attract and retain the directors needed to run the Company successfully; and ensuring no director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee currently comprises Mr. Peter Pun, Mr. Wei Chi Kuan, Kenny and Mr. Lau Wai Piu (Chairman of the Committee), the three independent non-executive directors.

The Remuneration Committee meets at least annually for review the remuneration policy and structure and determination of annual remuneration packages of the executive directors and the senior executives and other related matters. An external human resources consultancy firm was engaged to review the directors and senior management's remuneration and to make recommendations thereon for the Remuneration Committee's consideration. The Remuneration Committee has consulted the Chairman of the Company and/or the Chief Executive Officer about its recommendations on remuneration policy and structure and remuneration packages.

Audit Committee

The Audit Committee comprises all three independent non-executive directors, namely Mr. Peter Pun, Mr. Wei Chi Kuan, Kenny and Mr. Lau Wai Piu (Chairman of the Committee). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

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- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures.

The Audit Committee held 2 meetings during the year to review the financial results and reports, financial reporting, internal control and compliance procedures, and to make recommendation to the Board on the re-appointment of the external auditors.

7 Model Code for Securities Transactions

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 the Company's code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the year.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

8 Responsibilities in respect of the Financial Statements

The directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on page 34.

9 Auditors' remuneration

During the year under review, the remuneration paid to the Company's external auditors, PricewaterhouseCoopers is set out as follows:

	<i>HK\$'000</i>
Audit services	650
Non-audit services	1,019
	1,669