

The Company recognizes the importance of good corporate governance to the Company's healthy development and has devoted considerable efforts to formulating and maintaining corporate governance practices appropriate to the Company's needs.

The Company has adopted the Code Provisions ("CG Code(s)") set out in Appendix 14 of the Listing Rules as its own code and has complied with the CG Codes throughout the Year save as disclosed below.

Code Provision A.2.1

This CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. It also stipulates that the division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

The chairman of the Company, Mr. Lau Chun Ming, also served as chief executive until 19 December 2005. The Board has appointed Mr. Lau Chun Kwok, an executive director of the Company, as chief executive officer on 19 December 2005. There is no written terms on division of responsibilities between the chairman and the chief executive officer as the Board considers that the responsibilities of the two positions are fundamentally distinct and therefore written terms of division are not necessary.

Code Provision A.4.2

This CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

本公司深明良好企業管治對本公司健全發展之重要性，並已致力制定及維持切合本公司需要之企業管治常規。

本公司於本年度一直採納載於上市規則附錄14內之守則條文（「企業管治守則」）為其本身守則，並已遵守企業管治守則，惟以下各項除外：

守則條文第A.2.1條

此企業管治守則規定主席及行政總裁之角色須有區分，並不應由一人同時兼任兩職。此守則條文亦規定須清楚地制定主席及行政總裁之職權範圍，並以書面列出。

本公司之主席劉振明先生一直兼任行政總裁，直至二零零五年十二月十九日為止。董事會已於二零零五年十二月十九日委任本公司執行董事劉振國先生為行政總裁。由於董事會認為該兩個職位之職權範圍基本上明顯不同，毋須以書面列出，因此概無書面制定主席及行政總裁之職責範圍。

守則條文第A.4.2條

此企業管治守則規定每名董事（包括該等具指定任期之董事）須每三年至少輪席退任一次。

The Company's bye-laws, in its original forms, provide that a number nearest to but no more than one third of the total number of directors are to retire every year and that the chairman of the Company is not subject to retirement by rotation. Consequently, two of the directors have been serving on the Board for four consecutive years. Shareholders of the Company had at its annual general meeting held in August 2005 resolved to amend the bye-laws of the Company for compliance with the CG Code. At the forthcoming annual general meeting, all Directors, including the chairman of the company, whom have served consecutively for three or more years shall be subject to retirement in accordance with the amended bye-laws.

Code Provision B.1.1 and B.1.3

The Company has established a remuneration committee in July 2005 with written terms of reference in compliance with the relevant CG Codes.

Code Provision C.3.3

The Company has revised the terms of reference of its Audit Committee in July 2005 to affirm and extend its duties to include at least those as set out in the relevant CG Codes.

Board of Directors

Responsibilities

The Board is responsible for the control and leadership of the Company and its duties include the approval and monitoring of all policy matters, business strategies, internal control systems, material transactions, appointment of directors and other significant operational, financial and legal compliance matters. The Board delegates the authority to manage the daily affairs of the Group to the chief executive officer and senior management.

本公司細則原文規定，最接近但不多於董事總人數三分之一之董事須每年退任，惟本公司主席不受輪席告退之規限。結果，兩名董事已連續四年出任董事會成員。本公司股東於二零零五年八月舉行之股東週年大會議決修訂本公司細則，以遵守企業管治守則。於應屆股東週年大會上，凡連續出任三年或以上董事職務之所有董事(包括本公司主席)均須依據經修訂細則告退。

守則條文第B.1.1條及第B.1.3條

本公司已於二零零五年七月成立薪酬委員會，並以書面訂立職權範圍，藉以遵守有關企業管治守則。

守則條文第C.3.3條

本公司已於二零零五年七月修訂其審核委員會之職權範圍，以確認及擴大其職權到至少包括載於有關企業管治守則內之該等職責。

董事會

職責

董事會負責本公司之監控及領導工作，而其職務包括批准及監察所有政策事宜、業務策略、內部監控制度、重大交易、委任董事及其他主要經營、財務及法律承諾事宜。董事會轉授管理本集團日常事務之權力予行政總裁及高級管理層。

The proceedings of the Board follow all the relevant CG Codes. The Board meets regularly and board meetings are held at least four times a year. All Directors have full and timely access to relevant information as well as 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 able to seek independent professional advice in appropriate circumstances, by making request to the company secretary, to assist in discharging his duties.

Composition

The composition of the Board is as follow:

Executive Directors:

Mr. Lau Chun Ming – *Chairman*
Mr. Lau Chun Kwok – *Chief Executive Officer*
Mr. Lau Chun Ka
Ms. Leung Lai So
Mr. Hsu Kam Yee, Simon
Mr. Chan Sun Kwong – *Company Secretary*

Non-executive Director:

Mr. Chiu Kam Kun, Eric

Independent Non-Executive Directors:

Dr. Lee Peng Fei, Allen – *Chairman of Remuneration Committee and member of Audit Committee*
Professor Wong Sue Cheun, Roderick – *Member of Audit Committee and Remuneration Committee*
Mr. Chan Wai Dune – *Chairman of Audit Committee and member of Remuneration Committee*

董事會之會議程序全部遵照有關企業管治守則之規定。董事會定期舉行會議，並於一年內舉行至少四次董事會會議。全體董事均獲完整及適時獲得有關資料，以及本公司秘書之意見及服務，以確保遵守董事會程序及所有適用之規則及規條。每名董事可透過向本公司秘書作出要求，於適當情況下尋求獨立專業意見，以協助履行其職務。

組成

董事會之組成如下：

執行董事：

劉振明先生 – 主席
劉振國先生 – 行政總裁
劉振家先生
梁麗蘇女士
許錦儀先生
陳晨光先生 – 公司秘書

非執行董事：

趙錦均先生

獨立非執行董事：

李鵬飛博士 – 薪酬委員會主席及審核委員會成員
王世全教授 – 審核委員會及薪酬委員會成員
陳維端先生 – 審核委員會主席及薪酬委員會成員

The composition of the Board reflects a diverse yet balanced set of skills and experience which is essential for effective leadership of the Company. All the Board members have extensive experience and knowledge in corporate management as well as strong commercial acumen. Biographic details which include relationships among members of the Board are disclosed in the “Directors and Senior Management” section of the Report of the Directors.

The Company has received from each independent non-executive director an annual written confirmation of independence pursuant to the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment, Re-election and Removal of Directors

The procedures for the appointment, re-election and removal of directors are laid down in the Company's bye-laws. Each of the non-executive directors of the Company is appointed for a specific terms and all Directors are subject to retirement by rotation at least once every three years. The Company currently does not have a nomination committee and the Board as a whole is responsible for reviewing its composition, monitoring the appointment and independence, where applicable, of Directors, and identifying suitable and qualified individuals to become board members when necessary.

Remuneration of Directors

The Company established a remuneration committee with written terms of reference in compliance with the relevant CG Codes in July 2005. Non-executive Directors are paid fees generally in line with market practice and taking into consideration the responsibilities and time spent by the non-executive Directors on the Company's affairs. The remuneration of executive Directors is determined by the chairman of the Board in consultation with the Remuneration Committee after taking into consideration market trends and responsibilities and performance of the individual with a view to provide attractive reward to and retain high performing individuals.

董事會之組成反映多元但均衡之技術及經驗，對於本公司之有效領導為不可或缺。全體董事會成員於企業管治擁有豐富經驗及知識以及強烈商業敏銳度。履歷詳情(包括董事會成員間之關係)於董事會報告「董事及高級管理層」一節披露。

本公司已接獲每名獨立非執行董事有關其根據上市規則之獨立性之年度確認書。根據載於上市規則之獨立性指引，本公司認同全體獨立非執行董事為獨立。

董事之委任、重選及罷免

董事之委任、重選及罷免程序已載於本公司之公司細則。本公司每名非執行董事獲指定委任期及全體董事須至少三年輪席退任一次。本公司現時並無提名委員會，而董事會全體則負責審閱其組成、監察董事之委任及獨立性(如適用)，及識別適當及合資格人士於有需要時成為董事會成員。

董事薪酬

本公司已於二零零五年七月成立薪酬委員會，並以書面訂立職權範圍，藉以遵守有關企業管治守則。經考慮非執行董事就本公司事務之職權範圍及所付出之時間，非執行董事獲得大致上符合市場慣例之袍金。執行董事之薪酬乃根據由董事會主席與薪酬委員會商議後經考慮市場趨勢及個別董事之職權範圍及表現而釐定，以提供可觀報酬及保留卓越表現之個別董事。

Further details regarding the Remuneration Committee are disclosed in the “Remuneration Committee” section of this report.

有關薪酬委員會之詳情於本報告「薪酬委員會」一節披露。

Board Meetings

董事會會議

Regular board meetings are held at least four times a year and additional meetings are convened as and when required. During the Year, four regular board meetings were held by the Company and the attendance record of the Directors is as below.

董事會會議一年至少定期舉行四次，並於有需要時召開其他會議。於本年度，本公司已舉行四次定期董事會會議，而董事之出席記錄載列如下：

Meetings Attended/Meetings Held

已出席之會議／已舉行之會議

Directors		Board	Audit Committee	Remuneration Committee
董事		董事會	審核委員會	薪酬委員會
Lau Chun Ming	劉振明	4/4	N/A 不適用	N/A 不適用
Lau Chun Kwok	劉振國	4/4	N/A 不適用	N/A 不適用
Lau Chun Ka	劉振家	3/4	N/A 不適用	N/A 不適用
Leung Lai So	梁麗蘇	4/4	N/A 不適用	N/A 不適用
Hsu Kam Yee, Simon	許錦儀	4/4	N/A 不適用	N/A 不適用
Chan Sun Kwong	陳晨光	4/4	N/A 不適用	N/A 不適用
Chiu Kam Kun, Eric	趙錦均	3/4	N/A 不適用	N/A 不適用
Lee Peng Fei, Allen	李鵬飛	4/4	2/2	1/1
Wong Sue Cheun, Roderick	王世全	4/4	2/2	1/1
Chan Wai Dune	陳維端	3/4	2/2	1/1

Notices of regular board meetings are served to all Directors at least fourteen days before the meetings and reasonable notice is generally given for other meetings. Meeting agenda and board papers together with other relevant materials are sent to all Directors at least three days (or such other period as agreed) before each meeting. The Company Secretary is responsible to take minutes of all board and board committee meetings. Draft and final meeting minutes are sent to all Directors for their comment and records respectively within reasonable time after the meeting is held.

Guidelines are in place which stipulate that any material matters which involves a conflict of interests for a substantial shareholder or Director will be dealt with at a duly convened board meeting. The Company's bye-laws also contain provisions stipulating the procedures according to which any material matters involving conflict of interests are to be approved at board meeting.

Board Committees

Audit Committee

The Audit Committee of the Company was established in 2003. It currently comprises three independent non-executive Directors and is chaired by Mr. Chan Wai Dune, who possesses the appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee has specific written terms of reference which lay down clearly its authority and duties. The terms of reference of the Audit Committee has been revised in July 2005 to align them with the requirements of the relevant CG Codes.

定期董事會會議通告於會議舉行前至少十四天寄發予全體董事，而其他會議則一般於合理時間內發出通告。會議議程及董事會會議文件連同其他有關資料於每次會議舉行前至少三天(或已同意之其他期限)寄發予全體董事。本公司秘書負責為所有董事會及董事委員會會議完成會議紀錄。草稿及最後會議紀錄將寄發予全體董事，以在會議舉行後於合理時間內分別取得其意見及記錄。

本公司已作出指引，規定任何涉及主要股東或董事之權益衝突之重大事宜將於正式召開之董事會會議上處理。本公司之公司細則亦載有條文，就任何涉及權益衝突之重大事宜規定該等程序須於董事會會上批准。

董事委員會

審核委員會

本公司已於二零零三年成立審核委員會。審核委員現時包括三名獨立非執行董事，並由陳維端先生擔任主席，彼擁有適當專業資格或會計或相關財務管理專門知識。

審核委員會具特定書面職權範圍，清楚列明其職權及職責。審核委員會之職權範圍已於二零零五年七月修訂，藉以遵守有關企業管治守則之規定。

The Audit Committee has met two times during the Year and the work performed included the following:

- reviewed and revised its terms of reference to conform to the relevant CG Codes;
- reviewed the Company's annual report and results announcement for the year ended 31 March 2005;
- reviewed the Company's interim report and results announcement for the period ended 30 September 2005;
- met with the Company's auditors and management to discuss issues arising from the audit and interim review of the Company;
- considered and advised the Board on matters in relation to new accounting policies and standard, internal control measures and risk management procedures; and
- reviewed the engagement, independence, remuneration and effectiveness of the auditors on both audit and non-audit services.

The Company's audited financial statements for the Year have been reviewed by the Audit Committee.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with the relevant CG Codes in July 2005. It currently comprises three independent non-executive Directors and is chaired by Dr. Lee Peng Fei, Allen.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and packages of executive Directors and ensuring that no Director will be involved in deciding his own remuneration.

審核委員會已於本年度召開兩次會議，所執行之工作包括下列項目：

- 審閱及修訂其職權範圍藉以遵守有關企業管治守則；
- 審閱本公司截至二零零五年三月三十一日止年度之年報及業績公佈；
- 審閱本公司截至二零零五年九月三十日止期間之中期報告及業績公佈；
- 與本公司之核數師及管理層會面以商討由本公司之審核及中期審閱所產生之事項；
- 考慮及建議董事會有關新會計政策及準則、內部監控措施及風險管理程序之事宜；及
- 就審核及非審核兩類服務審閱核數師之工作委任、獨立性、薪酬及有效性。

本公司於本年度之經審核財務報表已由審核委員會審閱。

薪酬委員會

本公司已於二零零五年七月成立薪酬委員會，並以書面訂立職權範圍，藉以遵守有關企業管治守則。薪酬委員現時包括三名獨立非執行董事，並由李鵬飛博士擔任主席。

薪酬委員會之主要目標包括就執行董事之薪酬政策及組合作出建議及批准，以確保概無董事參與決定其自身之薪酬。

The Remuneration Committee has held one meeting during the Year to:

- appoint its chairman;
- review the terms of reference of the committee;
- review the fairness of remuneration packages of the Directors; and
- consider and advise the Chairman on the proposed revision to the remuneration packages of certain executive Directors.

薪酬委員會已於本年度召開一次會議以：

- 委任其主席；
- 審閱委員會之職權範圍；
- 審閱董事之薪酬組合之公平性；及
- 考慮及建議主席就若干執行董事之薪酬組合擬作出修訂。

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own code regarding securities transactions by Directors of the Company and its subsidiaries and employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company. All the Directors have confirmed their compliance with the codes throughout the Year.

進行證券交易之標準守則

本公司採納上市規則附錄十載列之《董事進行證券交易之標準守則》作為本身之守則，以供可能擁有對股價敏感之本公司未公開資料之本公司及其附屬公司之董事及本集團僱員進行證券交易之用。全體董事已確認彼等於本年度一直遵守該等守則。

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the Company's financial statements in accordance with statutory requirements and applicable accounting standards. Furthermore, the Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules and other statutory requirements.

董事編製財務報表之責任

董事確認按照法例規定及適用之會計準則編製本公司之財務報表乃彼等之責任。此外，根據上市規則及其他法例規定，董事會須負責對於本公司之年報及中期報告、其他對股價敏感之公佈及其他財務披露作出衡平、清晰及易於理解之評估。

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the “Report of the Auditors” forming part of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, there are no any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

Internal Controls

The Board recognizes its responsibility for maintaining a sound and effective system of internal controls to safeguard the interests of the Company’s shareholders and the Company’s assets.

The Company’s internal control system includes a defined management structure with limits of authority and is designed to help the achievement of business objectives, safeguard assets against unauthorized use, maintain proper accounting records for both internal use and publication and ensure compliance with relevant regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risks of failure in operational systems.

The Directors have reviewed the effectiveness of the Company’s internal control system and found no irregularity or material weakness within the system.

本公司之外聘核數師就彼等對本公司財務報表之申報責任所作出之聲明載於組成本年報一部分之「核數師報告」內。

經作出一切合理查詢後，就董事所知、所悉及所信，董事確認概無任何重大不明朗之事件或狀況，可引起對本公司是否有能力持續經營業務實體之重大疑問。

內部監控

董事會確認其責任，須維持穩定及有效之內部監控制度，以保障本公司股東及本公司資產之權益。

本公司之內部監控制度包括已有界定授權限額的一個清晰明確的管理架構，旨在協助實現業務目標、保障資產免於未經授權之挪用、維持妥善之會計記錄以供內部使用或作公佈之用，以及確保遵守有關法規。該制度旨在提供合理（但非百分百保證）保證營運制度不會出現重大錯誤或損失，以及管理（而非消除）失責之風險。

董事已審閱本公司之內部監控制度之有效性，並於制度內概無發現不完整或重大缺失。

Auditors' Remuneration

The remuneration paid or payable to the Company's auditors in respect of services provided is as follow.

Fees for audit services amounted to HK\$700,000

Fees for non-audit services amounted to HK\$480,000 which comprises:

- HK\$100,000 for review of interim financial statements; and
- HK\$380,000 for review of various financial statements in relation to a major and connected transaction.

Communication with Shareholders

The Board recognizes the importance of regular and open communications with the Company's shareholders and encourages their active participation at general meetings. The Chairman of the Board and Board Committees, the Chief Executive Officer and senior management of the Company all endeavour to make themselves available to answer questions at the general meetings. The Company's interim and annual reports also serve as an important mean of communications from the Company and the Board to shareholders.

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Company's bye-laws. Details of such rights and procedures are included in all circulars to shareholders and will be explained during general meetings.

核數師薪酬

就所提供服務已付或應付本公司核數師之薪酬如下。

審核服務之費用為700,000港元

非審核服務之費用為480,000港元，包括：

- 100,000港元作審閱中期財務報表；及
- 380,000港元作審閱有關主要及關連交易之各財務報表。

與股東之溝通

董事會認同與本公司股東進行定期及公開溝通之重要性，及鼓勵彼等積極參與股東大會。董事會及董事委員會主席、本公司之行政總裁及高級管理層全體竭盡所能於股東大會上解答問題。本公司之中期報告及年報亦作為本公司及董事會與股東間一個重要之溝通工具。

股東之權利及於股東大會上要求就決議案進行投票表決之程序載於本公司之公司細則內。該等權利及程序已載於致股東之所有通函及將於股東大會上作闡釋。