

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2006 with the code provision set out in the Code of Corporate Governance Practices (the "CG Code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except on the deviations noted below.

### Code Provision A.2.1

This code stipulates that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "chief executive officer".

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operation of the Company.

### Code provisions A.4.1

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company.

### Code Provision A.4.2

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

Under the present Bye-laws of the Company ("Bye-laws"), directors who are appointed to fill a casual vacancy only required to be re-elected at the next annual general meeting. Moreover, the chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. These constitute deviation from the code provision A.4.2 of the Code.

In order to align the Bye-laws with the CG Code and comply with certain amendments of the Listing Rules, the Board has proposed to amend the Bye-laws at the forthcoming annual general meeting and details of the proposed amendments will be contained in the notice convening the annual general meeting.

# CORPORATE GOVERNANCE REPORT

(Continued)

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year.

## BOARD OF DIRECTORS

### Composition

The Board currently comprises two executive directors and three independent non-executive directors:

*Executive directors:*

Mr. Chan Chi Yuen (*Chairman*)

Mr. Lam Kwan Sing

*Independent non-executive directors:*

Ms. Ho Pui Man

Mr. Law Fei Shing

Mr. Tse On Po Vincent

Throughout the year ended 31 March 2006, the Board at most 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, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

### Responsibilities

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the Company's management.

Every director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. In addition, every director has separate and independent access to the Company's senior management to facilitate them to make informed decisions. All directors, in the discharge of their duties, are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

# CORPORATE GOVERNANCE REPORT

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## BOARD OF DIRECTORS *(Continued)*

### Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

### Board Meetings

In order to achieve a high standard of corporate governance, the Board held four regularly meetings at approximately quarterly interval during the year ended 31 March 2006 to discuss the overall strategy as well as the operation and financial performance of the Group. Attendance of each director at the Board meetings is set out below.

#### Number of Board meetings Attended/Eligible to attend

#### *Executive directors:*

Mr. Chan Chi Yuen* ( <i>Chairman</i> )	Not applicable
Mr. Liu JiCheng	4/4
Mr. Lam Kwan Sing	4/4

#### *Non-executive director:*

Ms. Huang Ning	4/4
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#### *Independent non-executive directors:*

Mr. Law Fei Shing	4/4
Ms. Kwai Laam ( <i>Note 1</i> )	1/1
Mr. Qi Jin Feng ( <i>Note 1</i> )	1/1
Mr. Tse On Po Vincent ( <i>Note 2</i> )	3/3
Ms. Ho Pui Man ( <i>Note 2</i> )	3/3
Mr. Lau Man Tak ( <i>Note 3</i> )	0/0

\* Mr. Chan Chi Yuen was appointed on 10 May 2006 and therefore no meeting was attended during the year ended 31 March 2006.

*Note 1:* resigned on 5 December 2005

*Note 2:* appointed on 5 December 2005

*Note 3:* resigned on 18 July 2005

# CORPORATE GOVERNANCE REPORT

(Continued)

## **BOARD OF DIRECTORS** *(Continued)*

### **Chairman and Chief Executive Officer**

This code stipulates that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Chi Yuen is the Chairman of the Company and is responsible for the overall strategic planning and policy making of the Group.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operation of the Company.

### **Board Committees**

The Board has established 3 committees namely, the Audit Committee, the Remuneration Committee and the Nomination 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 majority of the members of each Board committees are independent non-executive directors. 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 Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the Chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/ her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee did not hold any committee meeting during the year ended 31 March 2006.

# CORPORATE GOVERNANCE REPORT

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## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the chairman of the Audit 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 followings:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) 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.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 March 2006 to review the financial results and report of the Company. Attendance of each director at these meetings is set out below.

	<b>Number of Board meetings Attended/Eligible to attend</b>
Mr. Law Fei Shing	2/2
Ms. Kwai Laam ( <i>Note 1</i> )	1/1
Mr. Qi Jin Feng ( <i>Note 1</i> )	1/1
Mr. Tse On Po Vincent ( <i>Note 2</i> )	1/1
Ms. Ho Pui Man ( <i>Note 2</i> )	1/1
Mr. Lau Man Tak ( <i>Note 3</i> )	0/0

*Note 1:* resigned on 5 December 2005

*Note 2:* appointed on 5 December 2005

*Note 3:* resigned on 18 July 2005

# CORPORATE GOVERNANCE REPORT

(Continued)

## NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the chairman of the Nomination Committee.

The main duties of the Nomination Committee include the followings:

- (a) To review the criteria and procedures of selection of directors and senior management members, and provide suggestions;
- (b) To conduct extensive search for qualified candidates for directors and senior management members; and
- (c) To access the candidates for directors and senior management members and provide the relevant recommendations.

The Nomination Committee did not hold any committee meeting during the year ended 31 March 2006.

## AUDITORS' REMUNERATION

The remuneration to the external auditors of the Company in respect of audit services for the year ended 31 March 2006 amounted to HK\$380,000.

There was no non-audit service rendered to the Company by its external auditors during the year under review.

## ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 March 2006, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The reporting responsibilities of the Company's independent auditors are set out in the Report of Auditors on page 20.

On behalf of the Board  
**Chan Chi Yuen**  
*Chairman*

26 July 2006