

The board of directors of the Company (the “Board”) is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year under review, except for the deviations as disclosed in this report and the CG Code provision C.2 in respect of internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005).

### **DIRECTORS’ 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 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

### **BOARD OF DIRECTORS**

The directors of the Company during the year ended 31st March, 2006 were:

#### **Executive Directors**

James Sai-Wing Wong (*Chairman*)  
Herman Man-Hei Fung (*Managing Director*)

#### **Non-Executive Directors**

Madeline May-Lung Wong  
William Chung-Yue Fan

#### **Independent Non-Executive Directors**

Clement Kwok-Hung Young  
Johnny Chung-Ah Wong  
Peter Man-Kong Wong

Details of background and qualifications of each director are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 11 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group’s business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with divisional/department heads responsible for different aspects of the business/functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

To the best knowledge of the directors, there is no financial, business and family relationship among the members of the Board except that James Sai-Wing Wong and Madeline May-Lung Wong are partners in several investments (including their interests in the Company).

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31st March, 2006.

#### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The position of the Chairman and the Managing Director are held by two different individuals. James Sai-Wing Wong is the Chairman whereas Herman Man-Hei Fung is the Managing Director of the Company. There is a clear division of responsibilities between the Chairman and the Managing Director, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the Managing Director bears executive responsibility for the business and the management of the day-to-day operations of the Company.

**NON-EXECUTIVE DIRECTORS**

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, 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 one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman and the Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

At the forthcoming annual general meeting, in accordance with the Articles of Association, Clement Kwok-Hung Young and Johnny Chung-Ah Wong are subject to retirement by rotation.

**REMUNERATION OF DIRECTORS**

The Remuneration Committee was established in December 2005. The Remuneration Committee comprises three members, James Sai-Wing Wong, Clement Kwok-Hung Young and Johnny Chung-Ah Wong. The Chairman of the Remuneration Committee is James Sai-Wing Wong.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management).

During the year under review, no Remuneration Committee meeting was held and the first Remuneration Committee was held in July 2006, during which the existing pay of all executive directors have been reviewed individually.

**AUDIT COMMITTEE**

The Audit Committee was established in 2001. The Audit Committee currently comprises four members, William Chung-Yue Fan, Clement Kwok-Hung Young, Johnny Chung-Ah Wong and Peter Man-Kong Wong. Three of them are independent non-executive directors. The Chairman of the Audit Committee is Johnny Chung-Ah Wong. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Deloitte Touche Tohmatsu.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the interim results for the six months ended 30th September, 2005 and the annual results for the year ended 31st March, 2006.

**ATTENDANCE AT MEETINGS OF THE BOARD AND AUDIT COMMITTEE**

	Number of meetings attended	
	Board meetings	Audit Committee meetings
Number of meetings held for the year ended 31st March, 2006	2	2
James Sai-Wing Wong	2	N/A
Madeline May-Lung Wong	0	N/A
William Chung-Yue Fan	1	1
Herman Man-Hei Fung	2	N/A
Clement Kwok-Hung Young	2	2
Johnny Chung-Ah Wong	2	2
Peter Man-Kong Wong	2	2

## NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background.

## AUDITORS' REMUNERATION

During the year, the remuneration paid to the auditors of the Group were as follows:

	<b>Fee paid/payable</b> <i>HK\$'000</i>
<b>Types of services</b>	
Audit services	3,358
Non-audit services (tax compliance services and other services)	203
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	<b>3,561</b>
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## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 27 of this annual report.

## INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Board hosts the annual general meeting each year to meet the shareholders and answer their enquiries.

At present, the Company does not maintain a website. The terms of reference of the Remuneration Committee and Audit Committee are available from the Company Secretary on request rather than available on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.