

Corporate Governance Report

Introduction

The Company is committed to achieving high standard of corporate governance that properly protects and promotes the interests of its shareholders.

The Company has adopted the code provisions set out in 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”).

Report on Corporate Governance Practices

(A) The Board

(i) *Board composition*

The Board of Directors (the “Board”) comprises 9 Directors, of which Mr. Alan Chuang Shaw Swee (“Mr. Chuang”), Mrs. Alice Siu Chuang Siu Suen (“Mrs. Siu”), Mr. Ko Sheung Chi, Mr. Lui Lop Kay, Ms. So Kan Yiu and Ms. Cathy Chan Chung Shan are Executive Directors and Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him are Independent Non-Executive Directors. Mr. Chuang is a brother of Mrs. Siu. The Board has on a regular basis reviewed the composition of the Board and the skills and experience required for both the Executive and Non-Executive Directors of the Board, in the context of the business and strategies of the Company. If the Board identifies a suitable qualified candidate to become a Board member, it will make recommendation to the Nomination Committee for him/her to be elected as a Director of the Company.

(ii) *Appointment, re-election and removal of Directors*

There are formal, considered and transparent procedures for the appointment and removal of Directors. All Directors newly appointed to fill a casual vacancy are subject to election at the first general meeting after their appointment. Every Director (including Non-Executive Director) is subject to retirement by rotation at least once every three years. All Independent Non-Executive Directors are appointed for a specific term, subject to retirement by rotation as aforesaid, of three years commencing from 1st April, 2005.

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Report on Corporate Governance Practices (Continued)

(A) The Board *(Continued)*

(iii) Nomination Committee

A Nomination Committee was established with clear terms of reference to review the composition of the Board. The Nomination Committee comprises three Independent Non-Executive Directors, Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him. The committee met once during the year to discuss the structure, size and composition of the Board, to assess the independence of each Independent Non-Executive Director and to approve the recommended candidate to become a Board member. The attendance record of each committee member is as follows:

Name	No. of meeting attended/held
Dr. Peter Po Fun Chan <i>(Note)</i>	1/1
Mr. David Chris Lee Tsung Hei	1/1
Mr. Abraham Shek Lai Him	1/1

Note: Chairman of the Nomination Committee

(iv) Board meetings

The Board held meetings four times during the year. Arrangements were in place to ensure that sufficient notice and adequate information were given to each Director prior to the Board meetings. The Chairman, together with the Managing Director, established the agenda for each Board meeting. Other Directors are invited to include items in the agenda. Minutes of Board meetings were kept in sufficient details to reflect the decisions made in the relevant meetings.

The attendance record of each Director in Board meetings is as follows:

Name	Position	No. of meetings attended/held
Mr. Chuang	Chairman	3/4
Mrs. Siu	Vice-Chairman	4/4
Mr. Ko Sheung Chi	Managing Director	4/4
Mr. Lui Lop Kay	Executive Director	4/4
Ms. So Kan Yiu	Executive Director	4/4
Ms. Cathy Chan Chung Shan	Executive Director	4/4
Dr. Peter Po Fun Chan	Independent Non-Executive Director	4/4
Mr. David Chris Lee Tsung Hei	Independent Non-Executive Director	1/4
Mr. Abraham Shek Lai Him	Independent Non-Executive Director	3/4

Report on Corporate Governance Practices (Continued)

(A) **The Board** *(Continued)*

(v) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are currently separated. Mr. Chuang is the Chairman and Mr. Ko Sheung Chi, the Managing Director, is the Chief Executive Officer.

(vi) Responsibilities of Directors

Each Director of the Company is required to keep abreast of his/her responsibilities as a Director of the Company and each Director is provided in a timely manner with appropriate information of the Group to enable him/her to make an informed decision and to discharge his/her duties and responsibilities as a Director of the Company. On appointment, new Directors will be given a comprehensive introduction to the Group's business.

(vii) Directors' dealings in securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard as set out in the Model Code.

(viii) Independence of Independent Non-Executive Directors

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

(B) **Remuneration of Directors and senior management**

(i) Remuneration policy of Executive Directors and senior management

The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The Group will set levels of remuneration to ensure comparability and competitiveness with companies competing within a similar talent pool.

(ii) Fees paid to Non-Executive Directors

Each Non-Executive Director of the Company received an annual fee of HK\$80,000. In determining such fee, the Board has taken into account the current market conditions. Such fee is also subject to shareholders' approval in annual general meetings.

Report on Corporate Governance Practices (Continued)

(B) Remuneration of Directors and senior management (Continued)

(iii) Remuneration Committee

A Remuneration Committee was established with clear terms of reference to review the remuneration of the Executive Directors and senior management. The Remuneration Committee comprises three Independent Non-Executive Directors, Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him. The committee met once during the year to review the remuneration policy of the Group and to approve the remuneration of all Executive Directors and senior management of the Group. The attendance record of each committee member is as follows:

Name	No. of meeting attended/held
Dr. Peter Po Fun Chan (<i>Note</i>)	1/1
Mr. David Chris Lee Tsung Hei	1/1
Mr. Abraham Shek Lai Him	1/1

Note: Chairman of the Remuneration Committee

(C) Accountability and audit

(i) Financial reporting

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment of the performance, position and prospects of the Group in the interim and annual reports of the Company.

(ii) Audit Committee

An Audit Committee was established with clear terms of reference to review and supervise the financial reporting process and internal controls of the Group. The Audit Committee comprises three Independent Non-Executive Directors, Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him. The committee held two meetings during the year to discuss the relationship with the external auditors, to review the interim and annual financial statements of the Company and to evaluate the system of internal controls of the Group.

The attendance record of each committee member is as follows:

Name	No. of meetings attended/held
Dr. Peter Po Fun Chan (<i>Note</i>)	2/2
Mr. David Chris Lee Tsung Hei	1/2
Mr. Abraham Shek Lai Him	2/2

Note: Chairman of the Audit Committee

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Report on Corporate Governance Practices (Continued)

(C) Accountability and audit *(Continued)*

(iii) Auditors' remuneration

During the year, the remuneration paid or payable to the auditors of the Company, Messrs PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/payable <i>HK\$'000</i>
Audit services	700
Non-audit services	150
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	850
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(D) Delegation by the Board

(i) Board Committees

The Company has established three committees, namely Audit Committee, Nomination Committee and Remuneration Committee. These committees were formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

(ii) Management function

The Board has determined which matters are to be retained by the full Board sanction and which matters are to be delegated to the executive management. The executive management has been given clear terms of reference, in particular, circumstances where the executive management should report back and obtain prior approval from the Board. All delegations to executive management are reviewed periodically to ensure that they remain appropriate.

(E) Communication with shareholders

(i) Annual general meetings

The Board regards annual general meetings as the principal opportunity to meet shareholders of the Company. The Chairman attended the annual general meeting of the Company held in August 2005 to answer questions raised by shareholders.

(ii) Significant issues

The Company has ensured that any significant issue to be dealt with in general meetings will be proposed as a separate resolution.

(iii) Voting by poll

The procedures and requirements for demanding a poll in general meetings are fully disclosed in circulars to shareholders and communicated to shareholders prior to the commencement of general meetings.

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Conclusion

The Company has complied with the code provisions of the CG Code for the year ended 31st March, 2006.

On behalf of the Board of
Chuang's Consortium International Limited

Ko Sheung Chi
Managing Director

Hong Kong, 12th July, 2006