

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Throughout the year, the Company had complied with the Code Provisions, save for the deviations from Code Provisions A.2.1, B.1.1 and C.3.3 of the Code.

According to Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Before 23 September 2005, the Board had not appointed any individual to the post of chief executive officer. The responsibilities of the chief executive officer had been performed by Mr. Chen Tien Tui. On 23 September 2005, the Board formally appointed Mr. Chen Tien Tui as the chief executive officer of the Company, while Mr. Li Ming Hung remained as the chairman of the Company, and approved the terms of division of responsibilities between the chairman and the chief executive officer.

According to Code Provision B.1.1 of the Code, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority members of the remuneration committee should be independent non-executive directors. On 23 September 2005, the Board established the remuneration committee ("**Remuneration Committee**") of the Company with specific written terms of reference containing the specific terms set out in Code Provision B.1.3 of the Code. The Remuneration Committee initially comprised the three independent non-executive directors (namely, Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Lau Chung Kwan) and two executive directors (namely, Mr. Li Ming Hung and Mr. Chen Tien Tui). Mr. Lau Chung Kwan resigned as an independent non-executive director on 31 March 2006 and ceased to be a member of the remuneration committee on the same day. To fill the vacancy on the Board and the Remuneration Committee arising from the resignation of Mr. Lau Chung Kwan, Mr. Kwok Sze Chi was appointed an independent non-executive director and a member of the Remuneration Committee on 31 March 2006.

Code Provision C.3.3 of the Code sets out certain duties of the audit committee which should be included in the terms of reference of the audit committee. To align the terms of reference of the audit committee ("Audit Committee") of the Company with Code Provision C.3.3 of the Code, on 23 September 2005 the Board adopted new terms of reference of the Audit Committee which included the duties set out in Code Provision C.3.3 of the Code.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors and senior management of the Group on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry of all directors and senior management of the Group, all directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and senior management throughout the year ended 31 March 2006.

### **BOARD OF DIRECTORS**

The Board is currently composed of five executive directors comprising Mr. Li Ming Hung as the chairman, Mr. Chen Tien Tui as the chief executive officer of the Company, Mr. So Kam Wah, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung; and three independent non-executive directors comprising Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr Kwok Sze Chi. The biographical details of the directors are set out on pages 18 to 19 of the annual report of the Company for the year ended 31 March 2006. All directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Each independent non-executive director is appointed for a term of two years.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the year, the Board has convened four regular meetings and conducted the following activities at such regular meetings:

- (1) approved the interim and final results, interim and annual report, and matters to be considered at annual general meeting;

- (2) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2007; and
- (3) reviewed the performance and financial position of the Group.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Details of the directors' attendance records at the regular board meetings during the year are as follows:

	Attendance
<i>Executive directors</i>	
Mr. Li Ming Hung ( <i>Chairman</i> )	2/4
Mr. Chen Tien Tui ( <i>Chief Executive Officer</i> )	4/4
Mr. So Kam Wah	2/4
Mr. Lee Yuen Chiu, Andy	4/4
Mr. Choi Lin Hung	4/4
<i>Independent non-executive directors</i>	
Mr. Kan Ka Hon	4/4
Mr. Phaisalakani Vichai	3/4
Mr. Kwok Sze Chi ( <i>appointed on 31 March 2006</i> ) ( <i>Note</i> )	N/A
Mr. Lau Chung Kwan ( <i>resigned on 31 March 2006</i> )	4/4

*Note:* Mr Kwok was only appointed as an independent non-executive director on the end date of the year, and therefore he did not participate in any regular meetings.

The executive directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

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

## NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new directors has been delegated to the Chairman and other executive directors. They review regularly the need to appoint additional directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as directors of the Company. During the year, Mr. Kowk Sze Chi had been nominated and appointed as independent non-executive director of the Company.

## REMUNERATION COMMITTEE

The Board has set up the Remuneration Committee and has adopted a new set of terms of reference of the Audit Committee which were prepared in accordance with the Code Provisions.

The Remuneration Committee is currently composed of five members, comprising three independent non-executive directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, and two executive directors, Mr. Li Ming Hung and Mr. Chen Tien Tui. It was established by the Board and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for directors and senior management of the Company. No director takes part in any discussions about his own remuneration. During the year, it had convened one meeting with full attendance by its members and conducted the following activities:

- (1) reviewed the remuneration packages for senior management of the Company;  
and
- (2) reviewed the terms of the service contracts of all the executive directors of the Company by reference to their performance.

## AUDITORS' REMUNERATION

During the year, the nature of the audit and non-audit services provided by Deloitte Touche Tohmatsu, the auditors of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of approximately HK\$1,567,000 for the Group;

Non-audit services of approximately HK\$1,484,000 including:

- review of interim results
- taxation services for the Group
- agreed upon procedures on the Group's continuing connected transaction
- agreed upon procedures on the Group's annual result announcement

## AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Kan Ka Hon (Chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. The original terms of reference of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. Pursuant to a resolution passed by Board at its meeting held on 23 September 2005, a new set of terms of reference of the Audit Committee which were prepared in accordance with and with reference to the Code Provisions were adopted in replacement of the original terms of reference and the new terms of reference came into effect on 23 September 2005.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year, the Audit Committee has convened two meetings and conducted the following activities:

- (1) reviewed interim and annual results of the Company;
- (2) reviewed the internal controls and financial matters of the Group in pursuance of the terms of reference;
- (3) reviewed the audit plans and findings of the external auditors of the Company; and
- (4) made recommendation to the Board on the re-appointment of the external auditors.

Details of attendance of each member of the Audit Committee during the year are as follows:

	Attendance
<i>Independent non-executive Directors</i>	
Mr. Kan Ka Hon	2/2
Mr. Phaisalakani Vichai	1/2
Mr. Kwok Sze Chi ( <i>appointed on 31 March 2006</i> ) ( <i>Note</i> )	N/A
Mr. Lau Chung Kwan ( <i>resigned on 31 March 2006</i> )	2/2

*Note:* Mr Kwok was only appointed as an independent non-executive director on the end date of the year, and therefore he did not participate in any such meetings.

There was no disagreement between the Board's and the Audit Committee's view on the selection and appointment of the external auditors.

## **DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS**

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 March 2006, the directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Auditors' Report to the shareholders of the Company on pages 39 to 40 of the annual report of the Company.

## **INTERNAL CONTROL**

The Board is responsible for maintaining a sound and effective system of internal control. During the year, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the year.