

# Corporate Governance Report

The board of directors (the "Board") recognises the importance of corporate governance to the Company's healthy growth and is dedicated to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of shareholders.

The Company has complied with all the code provisions in the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 March 2006 (the "Year") except for the following deviations:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

The key corporate governance principles and practices of the Company are summarized as follows:

## **THE BOARD**

### **Responsibilities**

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion of the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Company's operations and implementation of the strategies set by the Board.

### **Composition**

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board of the Company comprised the following directors:

#### ***Executive Directors***

Mr. Hui Chi Yung (*Chairman*)  
Mr. Yiu Kai Yeuk, Raphael  
Mr. Hui Kau Mo

#### ***Independent Non-executive Directors***

Mr. Liu Kwong Sang  
Mr. Sit Hing Wah  
Dr. Hu Chung Kuen, David



The names and biographical details of each director are disclosed on page 17 of this Annual Report. Mr. Hui Kau Mo is the father of Mr. Hui Chi Yung. They are both interested in 608,118,560 shares as disclosed on page 8 of this annual report. Except as disclosed, there is no other relationship (including financial, business, family or other material relationship) among the members of the Board.

During the Year, the Board at all times met the requirements of the Listing Rules relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it 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 and the Company considers the independent non-executive directors are independent.

Each of the independent non-executive directors is appointed for a term of one year expiring on 1 September 2006 and they are also subject to retirement by rotation in accordance with the Company's Articles of Association. Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the Year, six Board meetings were held and the attendance of individual directors was as follows:

<b>Name of directors</b>	<b>Attendance</b>
Mr. Hui Chi Yung ( <i>Chairman</i> )	5/6
Mr. Yiu Kai Yeuk, Raphael	6/6
Mr. Hui Kau Mo	5/6
Mr. Liu Kwong Sang	4/6
Mr. Sit Hing Wah	4/6
Dr. Hu Chung Kuen, David	3/6

Two full Board meetings were held during the Year.

The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively and that all key and appropriate issues are discussed by the Board on a timely manner, formulating the investment strategies, monitoring the investment performance and approving investment decisions.

## **BOARD COMMITTEES**

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, two committees has been established, namely, the Remuneration Committee and the Audit Committee. Both committees are established with defined written terms of reference.

## Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director and three independent non-executive directors, namely, Mr. Hui Chi Yung, Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David. Mr. Liu Kwong Sang is the chairman of the Remuneration Committee. The primary objective for setting up the Remuneration Committee is to comply with the Code Provision as set out in the CG Code. Its responsibilities are to review and consider the Company's policy for remuneration of directors and senior management, to recommend to the Board the remuneration packages of executive directors, non-executive director and the senior management.

The Remuneration Committee held one meeting during the Year. Details of individual attendance of its members are set out below:

<b>Name of directors</b>	<b>Attendance</b>
Mr. Hui Chi Yung	1/1
Mr. Liu Kwong Sang	1/1
Mr. Sit Hing Wah	1/1
Dr. Hu Chung Kuen, David	1/1

During the year, the remuneration committee had reviewed and considered, inter alia, the remuneration policy of the Company and the remuneration of the directors and senior management.

## Audit Committee

The Audit Committee comprised three independent non-executive directors, Mr. Liu Kwong Sang is the Chairman of the Audit Committee.

The main duties of the Audit Committee include the following:

- (1) To review the financial statements and reports and consider any significant or unusual items by the qualified accountant, compliance officer or external auditors before submission to the Board.
- (2) 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.
- (3) 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 three meetings during the Year. Details of individual attendance of its members are set out below:

<b>Name of directors</b>	<b>Attendance</b>
Mr. Liu Kwong Sang	3/3
Mr. Sit Hing Wah	2/3
Dr. Hu Chung Kuen, David	3/3

During the year, the audit committee had reviewed and considered, inter alia, the annual results for the year ended 31 March 2005, the interim results for the six months ended 30 September 2005, the changes of auditors and the audit fee and audit work.

#### **OTHER INFORMATION**

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was no change of the composition of the Board during the year under review.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

#### **AUDITOR'S REMUNERATION**

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them. During the Year, the fees paid to the Company's auditors in respect of audit services amounted to HK\$875,000.

No non-audit services were provided by the Company's auditors for the Year.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on pages 19 and 21.

## **DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement. The directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of the Company.

The financial statements of the Group for the year ended 31 March 2006 have been prepared on a going concern basis, the validity of which depends upon the outcome of the arbitration and recoverability of accounts receivable, the other receivable as stated below in Note 23 to financial statements and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The financial statements do not include any adjustments that would result from the Group fail to recover the accounts receivable and other receivable. If the accounts receivable and other receivable were not to be recovered or there was a failure as to the successful outcome of the working capital and liquidity position of the Group, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. For additional details of these fundamental uncertainties relating to the going concern, please refer to Auditors' Report on pages 19 to 21 and Note 2(a) to financial statements on page 30 to 31.

## **INTERNAL CONTROL**

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control system. The Company has established an internal control system and the Board will conduct review on the effectiveness of the system and report the result of the review to the shareholders.

## **SHAREHOLDER COMMUNICATION**

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

At the 2005 annual general meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The Chairman of the Board and members of Audit Committee and Remuneration Committee attended the 2005 Annual General Meeting to answer questions of shareholders.