

## CORPORATE GOVERNANCE REPORT

Maintaining a solid, transparent and sensible framework of corporate governance has been and remains one of the top priority issues for the directors of the Company (“Directors” or “Board”). The Company has complied throughout the financial year ended 31st March, 2006 with all the provisions of the Code on Corporate Governance Practice (the “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”) except with the deviation from Code provisions A.4.1. and E.1.2 in respect of the requirements for the appointment of Non-executive Directors for a specific term and the Chairperson to attend the annual general meeting.

### BOARD OF DIRECTORS

#### (1) Composition of the Board of Directors

*The Board comprised a balanced composition of executive and non-executive directors (including independent non-executive directors) with a balance of skills, high calibre and experience appropriate for the business of the Group.*

The Board of Directors currently comprises of the following eight Directors:

Non-Executive Director: Ms. Luk Siu Man, Semon (*Chairperson*)

Executive Directors: Mr. Wong Chi Fai (*Managing Director*)  
 Ms. Fan Man Seung, Vanessa (*Managing Director*)  
 Ms. Mok Fung Lin, Ivy  
 Mr. Chan Pak Lam, Tom

Independent Non-Executive Directors: Mr. Chan Man Hon, Eric  
 Mr. Liu Hing Hung  
 Mr. Wan Chi Keung, Aaron

Mr. Law Ka Ming, Michael resigned as an Independent Non-executive Director in March 2006 for personal reasons. The biographies of the Directors are set out on pages 3 to 4 of this report and an updated list of Directors has been maintained on the Company’s website.

The Company has received confirmation of independence from each of the three Independent Non-executive Directors required under the Listing Rules. The Board continues to consider each of them to be independent. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS (continued)

#### (2) Responsibilities of Chairman and Chief Executive Officer

*Distinct roles of chairperson and managing director are carried out by separate persons to ensure a balance of power and authority.*

Ms. Luk Siu Man, Semon (Non-executive Director) is the Chairperson of the Company. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa are the Managing Directors of the Company. The Chairperson, assisted by the Company Secretary and other executives of the Group, is responsible for the management of the Board and to ensure all Board members are properly briefed and receive timely, reliable and sufficient information on issues to be discussed at Board meetings. Board papers were dispatched to the Directors before the meetings. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, the two Managing Directors, are responsible for managing the business of the Group. They work closely with the other two Executive Directors, supported by the sophisticated and experienced senior management team, working to achieve the goals and objectives of the Group.

#### (3) Delegation by the Board and Board Committee

*Matters delegated from the Board to Board Committees are given with clear authority and duties.*

The Board set up the Audit Committee and Remuneration Committee on 23rd September, 2004 and 19th July, 2005 respectively. The Committees consist mainly Independent Non-executive Directors. Clear written terms of reference explaining the Committees' role and authority delegated to them by the Board were approved and adopted. Details of these two Committees are set out in the paragraphs "Audit Committee" and "Remuneration Committee" below.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS (continued)

#### (4) Appointments, re-election and removal

*The appointment of directors is formal, considered and transparent and all directors are subject to re-election at regular intervals.*

Code provision A.4.1 requires non-executive directors be appointed for a specific term. However, the Non-executive Directors of the Company were not appointed for a specific term. Pursuant to provision 87(1) of the Bye-laws of the Company, which was amended at the annual general meeting held on 25th August, 2005, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. The Directors of the Company are of the opinion that the appointment of non-executive directors without specific term but otherwise subject to retirement by rotation and re-election by shareholders is reasonable and will continue to review and assess the effectiveness of the adopted practices.

No nomination committee has been established by the Company. The appointment of a new director is a matter reserved for the Board's decision. The Board would consider a number of criterion, including the past experience, qualifications and overall integrity of any recommended candidates for directorship. During the year, the Board has passed an unanimous resolution to appoint Mr. Wan Chi Keung, Aaron as an Independent Non-executive Director, who shall retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

#### (5) Function of the Board and Board Meetings

*The Board assumes the responsibility for leadership and control of the Group. Board meetings are held in accordance with the provisions of the Bye-laws of the Company.*

The Board oversees the development and financial performance, sets strategic directions and objectives of the Group. The management team makes management and investment proposals for the Board to approve, implements the Board's decision and manages the day-to-day business. Certain specific matters, inter alia, the approval of annual and interim results, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession are reserved for the Board's decisions.

The Board meets regularly at least four times a year with additional meetings as and when required.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS (continued)

#### (5) Function of the Board and Board Meetings (continued)

The individual attendance of each Director, on a named basis, for meetings held for the financial year ended 31st March, 2006, is set out below:

Board of Directors	Number of Board meeting attended	Attendance rate
<i>Non-Executive Director:</i>		
Luk Siu Man, Semon ( <i>Chairperson</i> )	4/4	100%
<i>Executive Directors:</i>		
Yeung Lik Shing, Michael ( <i>retired on 25th August, 2005</i> )	1/4	25%
Wong Chi Fai ( <i>Managing Director</i> )	4/4	100%
Fan Man Seung, Vanessa ( <i>Managing Director</i> )	4/4	100%
Mok Fung Lin, Ivy	4/4	100%
Chan Pak Lam, Tom	3/4	75%
<i>Independent Non-Executive Directors:</i>		
Law Ka Ming, Michael ( <i>resigned on 27th March, 2006</i> )	0/4	0%
Chan Man Hon, Eric	0/4	0%
Liu Hing Hung	1/4	25%
Wan Chi Keung, Aaron ( <i>appointed on 27th March, 2006</i> )	0/4	0%

Arrangements have been in place to ensure that for regular meetings of the Board, at least 14 days' meeting notice be given to the Directors and the agenda together with the accompanying board papers be circulated to all Directors three days before the regular board meetings. Agenda of regular meetings was circulated to Directors for their review and inclusion of any matters for Board's consideration. The Directors also have access to the advice and services of the Company Secretary and key officers of the Company Secretarial team regarding the Board procedures, and all applicable rules and regulations are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. An original copy of such minutes, being kept by the Company Secretary, is open for inspection at any reasonable time on reasonable notice by any Director. A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS (continued)

#### (6) Responsibilities of Directors

*Every Director has been kept abreast of his responsibilities as a director of the Company and of the business activities and development of the Group.*

The Company will provide every newly appointed Director with information on the business of the Group, responsibilities of Director, the adopted governance policies, the relevant rules, codes and regulations applicable to a Director and invite him to an induction. The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors of the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

#### Remuneration Committee

*A Remuneration Committee has been set up with specific terms of reference.*

A Remuneration Committee of the Company was established on 19th July, 2005. Currently, the Committee consists of two Independent Non-executive Directors, namely Messrs. Liu Hing Hung and Wan Chi Keung, Aaron together with the Executive Director, Mr. Wong Chi Fai, who acts as the Chairman of the Committee. The Remuneration Committee is responsible for, amongst other, making recommendations with respect to the remuneration of the Executive Directors of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. Details of the remuneration of each of the Directors for the year ended 31st March, 2006 are set out in note 13 to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available on the Company's website.

The Remuneration Committee has convened a meeting in September 2005, which was attended by all Committee members. In addition, the Company has adopted a share option scheme effective from 9th September, 2003. The Remuneration Committee had approved to recommend to the Board the annual fees of HK\$100,000 to each of the three Independent Non-executive Directors in September 2005.

## CORPORATE GOVERNANCE REPORT

### ACCOUNTABILITY AND AUDIT

#### (1) Financial Reporting

*The Board presents a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*

Management has provided information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules.

#### (2) Audit Committee

*An Audit Committee was established with clear terms of reference.*

An Audit Committee was established on 23rd September, 2004. The Committee consists of three Independent Non-executive Directors, namely Messrs. Chan Man Hon, Eric, Liu Hing Hung and Wan Chi Keung, Aaron. Mr. Wan Chi Keung, Aaron was appointed as a Committee member to replace Mr. Law Ka Ming, Michael in March 2006. The Chairman of the Audit Committee, Mr. Chan Man Hon, Eric, together with the other two Committee members, possess either accounting or other professional expertise. Clear terms of reference of the Committee with the delegated power and responsibility have been set out on the Company's website. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of external auditor, to review financial information and oversight of the financial reporting system and internal control procedures.

The Audit Committee convened three meetings during the year with the presence of all the then Committee members.

## CORPORATE GOVERNANCE REPORT

### ACCOUNTABILITY AND AUDIT (continued)

#### (2) Audit Committee (continued)

Draft and final versions of minutes were circulated to Committee members for their review and record respectively. The tasks performed by the Audit Committee during the year included the following:

- i. Review with senior management the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements, and the scope of the external audit works;
- ii. Review the impact to the Group in respect of the amendments to the accounting principles with the external auditors; and
- iii. Meeting with the external auditors and review their work and findings relating to the annual audit.

#### (3) Internal Control

*The Board acknowledged its overall responsibility to maintain sound and effective internal controls in order to safeguard the shareholders' investment and Company's assets.*

The Board, through the Audit Committee which reviews annually the internal control system, acknowledged its overall responsibility in respect of maintaining effective internal controls of the Company and its subsidiaries. The scope as well as the plan of the internal audit shall be reviewed and endorsed by the Audit Committee and the results of the audit and recommendations after the audit will be reported to the Audit Committee from time to time.

## CORPORATE GOVERNANCE REPORT

### COMMUNICATION WITH SHAREHOLDERS

#### (1) Effective Communication

*On-going dialogue with shareholders by way of convening annual general meeting, special general meeting and press conference are maintained.*

Various channels of communication with the shareholders are adopted by the Company, which include: (i) the issuance of annual report, circular, notice of annual general meeting and proxy form as required under the Listing Rules; and (ii) convene press conference from time to time; and (iii) the shareholders and investors are welcome to visit our website for the latest information of the Group.

The Company had convened three press conferences during the year to explain the interim and final results and major acquisition. Separate resolutions are proposed at the annual general meeting and the special general meeting on each substantial separate issues, including the election of individual directors as required under the Listing Rules.

Ms. Luk Siu Man, Semon, the Chairperson of the Company, was unable to attend the annual general meeting held on 25th August, 2005 as she was outside Hong Kong at that time.

#### (2) Voting by Poll

*Rights to demand a poll were printed in the circulars dispatched to the shareholders and the chairman of the general meetings had explained the rights and procedures to demand a poll at the commencement of such meetings.*

The rights to demand a poll were set out in the circulars dispatched to the shareholders during the year. The chairman of the general meetings had explained the rights and procedures to demand a poll.



## CORPORATE GOVERNANCE REPORT

### AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

#### Service rendered

	<b>fee paid/payable</b> <i>HK\$'000</i>
Audit services	3,445
Non-audit services	110