

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Company complied throughout the year ended 31st March, 2006 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix I4 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for Code Provision A.2.1 which 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 segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert 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 Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

## BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the members of the senior management of the Group, most of the corporate decisions of the Company are made by the Board.

The Board comprises seven executive directors namely Mr. Chan Chung Yee, Hubert (Chairman), Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Chan Ming Him, Denny, Mr. Tsui Hon Wing, Mr. Wu Kwok Lam and Mr. Yeh Yui Fong, and three independent non-executive directors, namely Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David. Mr. Chiu Ngar Wing possesses appropriate professional accounting qualifications and financial management expertise. Mr. Chan Chung Yee, Hubert, the Chairman of the Board, is the elder brother of Mr. Chan Chung Yin, Roy. Mr. Chan Man Min is the father of Mr. Chan Ming Him, Denny. Save as disclosed, there is no relationship among the members of the Board.

The Company has received from each of its independent non-executive directors a written confirmation of his independence and the Company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

The Board held eighteen meetings during the year and the attendance records of individual directors are as follows:

<b>Executive directors:</b>	<b>Number of meetings attended</b>
Chan Chung Yee, Hubert	18/18
Chan Chung Yin, Roy	15/18
Chan Man Min	0/18
Chan Ming Him, Denny	12/18
Tsui Hon Wing	15/18
Wu Kwok Lam	18/18
Yeh Yui Fong	13/18

  

<b>Independent non-executive directors:</b>	
Chiu Ngar Wing	2/18
Chu Chor Lup	2/18
Leung Tai Wai, David	0/18

### TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has entered into a letter of appointment with the Company for an initial term of one year. The appointment will be automatically renewed for successive term of one year unless terminated by either party by not less than three months notice in writing prior to the expiry of the then current term. All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

### REMUNERATION COMMITTEE

To comply with the Code, a remuneration committee was established on 1st April, 2005 with specific written terms of reference which were prepared in accordance with the Code Provisions and deal clearly with its authorities and duties. The members of the remuneration committee are Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors.

The remuneration committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determining the specific remuneration packages of all executive directors and senior management of the Group and reviewing and approving the compensation payable to executive directors and senior management of the Group in connection with any loss or termination of their office or appointment. Two meetings of the remuneration committee had been held since its establishment during which the members of the remuneration committee had reviewed the remuneration policy of the Company and determined remuneration of directors.

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<b>Name of members</b>	<b>Number of meetings attended</b>
Chiu Ngar Wing – <i>Chairman</i>	2/2
Chu Chor Lup	2/2
Wu Kwok Lam	2/2

### AUDIT COMMITTEE

The Company established an audit committee on 12th September, 2001 with written terms of reference in compliance with the Code of Best Practice as set out in the then effective Appendix 14 to the Listing Rules. Pursuant to a resolution passed by the Board on 1st April, 2005, a new set of terms of reference of the audit committee which were prepared with reference to the Code Provisions were adopted in replacement of the original terms of reference and the new terms of reference of the audit committee became effective on 1st April, 2005. The Company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David. A total of two meetings of the audit committee were in the year under review and the individual attendance of members are as follows:

<b>Name of members</b>	<b>Number of meetings attended</b>
Chiu Ngar Wing – <i>Chairman</i>	2/2
Chu Chor Lup	2/2
Leung Tai Wai, David	1/2

The audit committee has reviewed with the management the accounting policies adopted by the Group and discussed internal control and financial reporting matters, including the review of the audited financial statements together with the Company's external auditors.

### ACCOUNTABILITY AND INTERNAL CONTROL

The directors acknowledge their responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. As at 31st March, 2006, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 23 of the annual report of the Company for the year ended 31st March, 2006. The remuneration paid to the external auditors of the Company in respect of audit services and tax consulting services for the year ended 31st March, 2006 amounted to HK\$350,000 and HK\$26,000 respectively.

The directors have conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management function.

### DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding director' securities transactions.

Each of the director of the Company confirmed, following specific enquiry by the Company, that he complied with the required standard as set in Model Code throughout the year ended 31st March, 2006.

### COMMUNICATION WITH SHAREHOLDERS

The Board recognised the importance of maintaining good communication with the shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of channels, which include publication of interim reports and annual reports, announcements and circulars. The developments of each line of the Group's business are presented under "Management discussion and analysis" section of the interim reports and annual reports to enable the shareholders to have a better understanding of the Group's business activities.

The Company welcomes shareholders to attend the annual general meetings and express their view. The Chairman of the Board as well as other Board members together with the external auditors are available to answer shareholders' questions.