



CORPORATE GOVERNANCE REPORT

The board of directors (the “Board”) is committed to uphold a high corporate governance standard with a formal and transparent procedure to protect the interests of the Company.

The Code on Corporate Governance Practices (the “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”) came into effect on 1 January 2005. The Group’s corporate governance practices comply with all the Code provisions of the Code except where stated and explained below.

BOARD OF DIRECTORS

The Board recognises its responsibility to act in the best interest of the Company and its shareholders. The Board comprises four executive directors and three independent non-executive directors.

Executive Directors:

Mr. Chan Wing Sun (*Chairman*)
Mr. Kenneth Hung
Ms. Kao Yu Chu
Ms. Wang Li Wen

Independent Non-Executive Directors:

Mr. Cheung Yat Hung Alton
Mr. Kwong Chi Keung
Mr. So Hon Cheung Stephen

The Board sets the Group’s objectives and strategic directions and oversees its operating financial performance. It also decides on matters including annual and interim results, audited financial statements, directors’ appointment and re-appointment, major acquisitions and disposals, material contracts, risk management, major

financings and borrowings and dividend policies. In addition, the Board also discusses major operational and financial issues. Decisions and conduct of matters other than those specifically reserved by the Board are delegated to management.

Regular meetings of the Board are held. Agenda of Board meetings and Board papers are circulated to all directors before each Board meeting to ensure timely access to relevant information. Board minutes are circulated to all directors for review and comment within a reasonable time after the meetings to ensure accurate records of Board discussion and decisions are maintained. The Company held four full Board meetings during the year and attendance of the full Board meetings are as follows:

Directors	Number of meetings held	Number of meetings attended
Mr. Chan Wing Sun	4	4
Mr. Kenneth Hung	4	4
Ms. Kao Yu Chu	4	4
Ms. Wang Li Wen	4	4
Mr. Cheung Yat Hung Alton*	4	4
Mr. Kwong Chi Keung*	4	4
Mr. So Hon Cheung Stephen*	4	4

* Independent non-executive directors

The Board has received from each of the independent non-executive directors a confirmation of his independence from the Company in accordance with the guidelines on director independence set out in the Listing Rules. The Company considers that all independent non-executive directors of the Company are independent.



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To improve independency and division of functions, the roles of Chairman and Chief Executive Officer are segregated and are exercised by two individuals separately.

The Chairman Mr. Chan Wing Sun, is responsible for ensuring that the Board functions effectively and smoothly. The Chairman is also responsible for overseeing the strategic planning and overall policy of the Group. Mr. Kenneth Hung is the Chief Executive Officer of the Company. He is responsible for overseeing the day-to-day operation of the Group.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Kwong Chi Keung, an independent non-executive director of the Company, had not been appointed for a specific term until 1 January 2006. However all the directors including Mr. Kwong Chi Keung are subject to retirement from office by rotation in accordance with the bye-laws of the Company. Mr. Kwong was appointed for a specific term of one year from 1 January 2006. The other independent non-executive directors have been appointed for a specific term of one year.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are set out in the bye-laws of the Company. According to the bye-laws, at least one-third of the directors including the Chairman and Managing Director, are subject to retirement by rotation and re-election at the annual general meetings of the Company. All directors are subject to retirement by rotation and re-election at annual general meetings at least once every three years. All directors appointed by the Board during the year to fill casual vacancies are required to retire

and subject themselves for re-election at the first general meeting after their appointment.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee and the full Board is involved in the appointment of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessment of independence of independent non-executive directors.

The Board is responsible for considering the suitability of a candidate to act as a director and approving and recommending the termination of the appointment of a director.

BOARD COMMITTEES

The Board has established the Audit Committee and the Remuneration Committee with mandate to oversee particular aspects of the Company's affairs. Each of these two are set up with written terms of reference. The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Kwong Chi Keung (Chairman of the Remuneration Committee), Mr. Cheung Yat Hung Alton and Mr. So Hon Cheung Stephen and two executive directors namely Mr. Chan Wing Sun and Mr. Kenneth Hung.

The principal responsibilities of the Remuneration Committee include reviewing and making recommendations to the Board



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on the Company's policy and structure for all remuneration of directors and senior management.

During the year, a meeting of the Remuneration Committee was held for determining the responsibilities of the members of the Remuneration Committee and its terms of reference. The members of the Remuneration Committee also reviewed and discussed the policy for remuneration of directors and senior management. The attendance records of each Remuneration Committee members are as follows:

Members	Number of meetings held	Number of meetings attended
Mr. Chan Wing Sun	1	1
Mr. Cheung Yat Hung Alton	1	1
Mr. Kenneth Hung	1	1
Mr. Kwong Chi Keung	1	1
Mr. So Hon Cheung Stephen	1	1

Audit Committee

The Company has established an Audit Committee with written terms of reference. The Audit Committee comprises three independent non-executive directors namely Mr. So Hon Cheung Stephen (the Chairman of the Audit Committee), Mr. Kwong Chi Keung and Mr. Cheung Yat Hung Alton.

The main duties of the Audit Committee include review of the Group's financial information and oversight the Group's financial reporting process and internal control procedures. It is responsible for reviewing interim and final results of the Group prior to recommending them to the Board for approval. It also meets regularly with the external auditors to discuss their audit work and view. The Audit Committee

also reviews the relationship with the external auditors.

The number of meetings of the Audit Committee held and attended by each of the Audit Committee members during the year are as follows:

Members	Number of meetings held	Number of meetings attended
Mr. Cheung Yat Hung Alton	2	2
Mr. Kwong Chi Keung	2	2
Mr. So Hon Cheung Stephen	2	2

The Audit Committee held meetings to review the financial results and internal control process of the Group. It also reviewed the external auditors' report on the audit of the Group's financial statements.

During the year, the Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements of the Group and ensure that the financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards.

The statement of external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on page 24.



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AUDITORS' REMUNERATION

During the year, the remuneration payable or paid to the Group's auditors, KPMG, amounted to US\$194,000 of which US\$169,000 was in relation to statutory audit work of the Group and US\$25,000 was for non-audit services rendered.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealing as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the directors, the directors have complied with such code of conduct throughout the year ended 31 March 2006.

INTERNAL CONTROL

The internal control system of the Group includes a defined management structure with appropriate segregation of functions and duties.

A review of the Group's internal control procedures on sales transactions has also been conducted and the internal control procedures were found to be adequate.