



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices (the “Code”) to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has applied the principles and complied with the code provisions set out in the Code for the year ended 31 March 2007 except that independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company’s Articles of Association.

## BOARD OF DIRECTORS

The Board of Directors (the “Board”) is responsible for the leadership and control of the Company and oversees the Group’s business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Group’s business, including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board comprises three executive directors, one non-executive director and three independent non-executive directors. More than one-third of the Board members is independent non-executive directors and two of them have appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Each of the independent non-executive directors has made an annual confirmation of independence, and the Company considers that all of the independent non-executive directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled to be held at about quarterly interval. The attendance of the directors at the Board meetings during the year ended 31 March 2007 is as follows:

Name of Directors	Number of attendance
Mr. Ching-fat MA, <i>BBS (Chairman)</i>	4/4
Mr. Ching-choi MA ( <i>Vice Chairman</i> )	2/4
Mr. Shun-chuen LAM ( <i>Chief Executive Officer</i> )	4/4
# Mr. Dominic LAI	4/4
* Mr. Yau-nam CHAM	4/4
* Mr. Ping-wing PAO, <i>JP</i>	4/4
* Mr. Yat-fai LAM	4/4
# <i>Non-executive director</i>	
* <i>Independent non-executive director</i>	



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During the year, the Board has convened four regular meetings and conducted the following activities:

- (i) approved the interim and annual reports, and matters to be considered at annual general meeting;
- (ii) reviewed and approved corporate strategies of the Group; and
- (iii) reviewed the performance and financial position of the Group.

The independent non-executive directors of the Company are not appointed for a specific term. However, all directors shall be subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association at the Company's annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Chairman is Mr. Ching-fat MA while the Chief Executive Officer ("CEO") is Mr. Shun-chuen LAM. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the CEO bears executive responsibility for the management of the day-to-day operations of the Group.

### **BOARD COMMITTEE**

The Board has established three committees with clearly-defined written terms of reference. The independent views and recommendations of these committees ensure proper control of the Group and the continual achievement of the high standard corporate governance practices.

#### **Nomination Committee**

The Nomination Committee comprises two independent non-executive directors, Mr. Yat-fai LAM and Mr. Ping-wing PAO. The Committee will apply certain criterias on selection such as the consideration of what business or financial experience that the nominated individual can bring into the Board, his or her capabilities to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policies and strategies, as well as to the effective ways of discharging the Board's responsibilities.



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### **Remuneration Committee**

The Remuneration Committee comprises two independent non-executive directors, Mr. Yat-fai LAM and Mr. Ping-wing PAO. One meeting was held during the year ended 31 March 2007 and all members of the Committee had attended the meeting.

The brief duties of the Committee as per the terms of reference were as follows:

- (i) to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
- (ii) to have the delegated responsibilities to determine the specific remunerations package of all executive directors; and
- (iii) to review and approve compensation payable to directors in connection with loss or termination of office or compensation arrangement relating to dismissal or removal of director for misconduct.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary.

### **Audit Committee**

The Audit Committee comprises two independent non-executive directors, Mr. Yat-fai LAM and Mr. Ping-wing PAO and one non-executive director, Mr. Dominic LAI. Two meetings were held during the year ended 31 March 2007 and all members of the Committee had attended the meetings.

The Committee is authorized by the Board to investigate any activity and seek any information it requires within its terms of reference. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if necessary. The principal duties of the Committee include:

- (i) monitoring the integrity of the Company's financial statements, reports and accounts;
- (ii) reviewing of financial controls, internal controls, and risk management system; and
- (iii) reviewing of the Company's financial and accounting policies and practices.



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## **CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Following specific enquiries by the Company, all directors have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

## **AUDITORS' REMUNERATION**

For the year ended 31 March 2007, the external auditors received approximately HK\$1,234,000, comprising the audit fees of approximately HK\$1,034,000 and non-audit fees of approximately HK\$200,000. The non-audit services consist mainly of tax advisory services.

## **INTERNAL CONTROL**

The Board, through the Audit Committee, regularly reviews the internal control system of the Company and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. Together with the Audit Committee, the Directors will conduct a review on the effectiveness of the system of internal control once a year.

## **ACCOUNTABILITY AND AUDIT**

The Directors acknowledge their responsibilities for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flow for that period. The Directors ensure that the financial statements for the year ended 31 March 2007 were prepared in accordance with statutory requirements and applicable accounting standards.