

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company ("Board") is committed to maintaining and achieving the highest standards of corporate governance practices with an emphasis on a quality board, better transparency and effective accountability system in order to safeguard the interests of the shareholders and enhance the performance of the Group.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code and has complied with the Code throughout the year ended 31 March 2007, with deviations from Code Provision A.4.1. as mentioned under "Non-executive Directors' Term of Office" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standards as set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board currently comprises eight directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The Company has three independent non-executive Directors representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 14 to 15 of this annual report.

The principal duty of the Board is to ensure that the Company is properly managed in the interest of shareholders. The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management team is responsible for the day-to-day operations of the Group under the leadership of the executive Directors.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.



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The Board held 12 meetings during the financial year ended 31 March 2007. The record of attendance of each Director is as follows:

Name of Director	Regular Board Meeting⁽⁵⁾ Attended/Eligible to Attend	Special Board Meeting⁽⁶⁾ Attended/Eligible to Attend
Executive Directors		
Mr. Ng Chun For, Henry (<i>Chairman</i>)	4/4	2/8
Mr. Ng Ian (<i>Deputy Chairman and Chief Executive Officer</i>) ⁽¹⁾⁽²⁾	4/4	7/8
Mr. Chan Kwai Ping, Albert	4/4	7/8
Non-executive Directors		
Mr. Cheng Yuk Wo (<i>Vice Chairman</i>) ⁽³⁾	4/4	4/8
Mr. Mak Wah Chi	4/4	5/8
Independent non-executive Directors		
Mr. Li Kit Chee ⁽⁴⁾	0/0	0/0
Mr. Ng Hoi Yue	4/4	5/8
Mr. Tsang Kwok Ming, Rock	4/4	5/8

Notes:

- (1) Appointed as Deputy Chairman on 11 July 2005.
- (2) Save as Mr. Ng Ian being son of Mr. Ng Chun For, Henry, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.
- (3) Appointed as an Vice Chairman and re-designated as non-executive Director on 4 April 2007.
- (4) Appointed as independent non-executive Director on 4 April 2007.
- (5) Regular Board Meetings are attended by a majority of the Directors in person or through other electronic means of communication.
- (6) Special Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. Since the Special Board Meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attend.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman (held by Mr. Ng Chun For, Henry) and the Chief Executive Officer (held by Mr. Ng Ian) are held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company 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. The Company considers all of the independent non-executive Directors are independent. No independent non-executive Director has served the Group for more than nine years.

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Prior to the annual general meeting of the Company held on 25 August 2006 ("2006 AGM"), none of the then non-executive Director and independent non-executive Directors of the Company was appointed for a specific term. However, at the 2006 AGM, the non-executive Director, Mr. Mak Wah Chi was re-elected to hold office until the conclusion of the 2009 annual general meeting of the Company, while the three independent non-executive Directors, Mr. Cheng Yuk Wo (re-designated as non-executive director with effect from 4 April 2007), Mr. Ng Hoi Yue and Mr. Tsang Kwok Ming, Rock were re-elected to hold office until the conclusion of the next annual general meeting of the Company. Pursuant to the ordinary resolution passed by shareholders of the Company at the special general meeting held on 14 June 2007 ("SGM"), Mr. Li Kit Chee appointed by the Board was re-elected as an independent non-executive director and to hold office until conclusion of the next annual general meeting. As such, since the conclusion of the 2006 AGM and the SGM, all non-executive Directors and independent non-executive Directors have been appointed for a specific term, and accordingly the Company has complied with the said code provision A.4.1.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 May 2005 with written terms of reference. For the year under review, the Remuneration Committee comprised Mr. Cheng Yuk Wo (Committee Chairman until 4 April 2007), Mr. Mak Wah Chi and Mr. Tsang Kwok Ming, Rock.

Pursuant to re-designation of Mr. Cheng Yuk Wo as a non-executive Director on 4 April 2007 and the appointment of Mr. Li Kit Chee as a Remuneration Committee member with effect from 4 April 2007, the Remuneration Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Tsang Kwok Ming, Rock.

The Remuneration Committee will assist the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and also responsible for the administration of the share option schemes adopted by the Company. The terms of reference of the Remuneration Committee which are disclosed on the website of the Company (www.henrygroup.hk).

Details of Director's emoluments on named basis for the year ended 31 March 2007 are set out in note 9 to the consolidated financial statements.

The Remuneration Committee held one meeting during the year and the record of attendance of its members is as follows:

Name of member	Attended/ Eligible to Attend
Mr. Cheng Yuk Wo (<i>Independent Non-executive Director and the Chairman of Remuneration Committee until 4 April 2007</i>)	1/1
Mr. Mak Wah Chi (<i>Non-executive Director</i>)	1/1
Mr. Tsang Kwok Ming, Rock (<i>Independent Non-executive Director</i>)	1/1



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NOMINATION OF DIRECTORS

The Board has not established a nomination committee. According to the Bye-laws 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. The Board reviews the structure, size and composition of the Board from time to time and makes recommendation on the appointment of Directors based on the background, experience and other business interests of the candidate (independence status in the case of an independent non-executive Director). During the year, the Board had not held any meeting which dealt with matters regarding the nomination of Directors.

AUDITOR'S REMUNERATION

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year under review, the remuneration paid for audit services and non-audit services provided by the auditor amounted to approximately HK\$430,000 and HK\$90,000 respectively.

AUDIT COMMITTEE

The Company has established the Audit Committee and adopted written terms of reference on 23 May 2000. For the year under review, the Audit Committee comprised Mr. Cheng Yuk Wo (Committee Chairman until 4 April 2007), Mr. Mak Wah Chi and Mr. Ng Hoi Yue.

Pursuant to re-designation of Mr. Cheng Yuk Wo as non-executive Director on 4 April 2007 and the appointment of Mr. Li Kit Chee as Audit Committee member with effect from 4 April 2007, the Audit Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Ng Hoi Yue.

The terms of reference of the Audit Committee are disclosed on the Company's website (www.henrygroup.hk). The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control system.

The Audit Committee held four committee meetings during the year and the record of attendance of its members is as follows:

Name of member	Attendance/ Number of meetings
Mr. Cheng Yuk Wo (<i>Independent Non-executive Director and the Chairman of Audit Committee until 4 April 2007</i>)	4/4
Mr. Mak Wah Chi (<i>Non-executive Director</i>)	4/4
Mr. Ng Hoi Yue (<i>Independent Non-executive Director</i>)	4/4

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INTERNAL CONTROL

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding assets of the Group, enabling reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

AUDITOR'S REPORTING RESPONSIBILITIES

The reporting responsibilities of Horwath Hong Kong CPA Limited, the Auditor, are stated in the Independent Auditor's Report on page 22 of the annual report.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website (www.henrygroup.hk) and meetings with investors and analysts.