

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in the year ended 31st March, 2007 except that:

1. the non-executive directors were not appointed for a specific term but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Articles of Association of the Company; and
2. prior to 31st August, 2006, the Articles of Association of the Company did not require every director to retire every three years but the directors had voluntarily done so. On 31st August, 2006, the Articles of Association of the Company was amended to comply with such requirement.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company 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 a code of conduct regarding its directors’ securities transactions.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code regarding directors’ securities transactions during the year ended 31st March, 2007.

## BOARD OF DIRECTORS

The Company is governed by a board of directors (the “Board”) which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Company and its subsidiaries (the “Group”) by directing and supervising the Group’s affairs. The Board sets strategies and directions for the Group’s activities with a view to develop the Group’s business and to enhance shareholders’ value.

The Board met 5 times in the year ended 31st March, 2007. All directors are given the opportunity to put items on the agenda for regular Board meetings. All directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any director may, in furtherance of his/her duties, take independent professional advice where necessary at the expense of the Company.

During the year, the Board has at all times complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

# Corporate Governance Report (Continued)

## BOARD OF DIRECTORS (Continued)

The Board's composition and the attendance of individual directors at the Board meetings were as follows:

Name of directors	Number of meetings attended
<i>Executive directors</i>	
Mr. Yeung Ping Leung, Howard ( <i>Chairman</i> )	5/5
Mr. Tang Yat Sun, Richard ( <i>Vice Chairman</i> )	4/5
Mr. Cheng Ka On, Dominic	4/5
Mr. Yeung Bing Kwong, Kenneth	4/5
Ms. Fung Chung Yee, Caroline	5/5
<i>Non-executive directors</i>	
Dr. Sin Wai Kin ( <i>retired by rotation on 31st August, 2006</i> )	1/5
Mr. Wong Wei Ping, Martin	5/5
Mr. Ho Hau Hay, Hamilton	5/5
Mr. Sin Nga Yan, Benedict ( <i>appointed on 4th July, 2006</i> )	2/5
<i>Independent non-executive directors</i>	
Mr. Cheng Kwai Yin ( <i>passed away on 4th May, 2006</i> )	0/5
Mr. Lau To Yee	5/5
Mr. Cheng Kar Shing, Peter	1/5
Mr. Chan Chak Cheung, William	5/5

Messrs. Yeung Ping Leung, Howard and Yeung Bing Kwong, Kenneth are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors" on pages 5 to 6.

## CHAIRMAN AND GROUP GENERAL MANAGER (CHIEF EXECUTIVE OFFICER)

The roles of the Chairman and the Group General Manager (Chief Executive Officer) of the Company are separated, with a clear division of responsibilities.

Mr. Yeung Ping Leung, Howard is the Chairman of the Company. He is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting agenda of the Board meetings and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. He is also responsible for the strategic planning of the Company.

Ms. Wong Ka Ki, Kay is the Group General Manager of the Company responsible for the day-to-day management of the Group's business and for the growth and diversification thereof to accomplish the vision of the Company. She also monitors performance of the Group's operational and financial results.

# Corporate Governance Report (Continued)

## NON-EXECUTIVE DIRECTORS

All the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

## REMUNERATION COMMITTEE

The Remuneration Committee has three members, comprising Messrs. Chan Chak Cheung, William and Cheng Kar Shing, Peter (both independent non-executive directors) and Ms. Fung Chung Yee, Caroline (an executive director). This Committee is chaired by Mr. Chan Chak Cheung, William. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met once in the year. All members had attended the meeting.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and the levels of remuneration paid to the senior management of the Group. The Remuneration Committee had considered factors such as the performance of the senior management, the profitability of the Group, salaries paid by comparable companies and time commitment and responsibilities of the senior management. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

## NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment.

Potential new directors are selected on the basis of their qualifications, skills and experience which the directors consider will make a positive contribution to the performance of the Board.

During the year, Mr. Sin Nga Yan, Benedict had been appointed as a non-executive director of the Company.

## ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31st March, 2007, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the Company's auditors about their financial reporting are set out in the Independent Auditors' Report attached to the Company's Financial Statements for the year ended 31st March, 2007.

The Board has engaged an independent division of Grant Thornton to conduct a review of the Group's internal control system during the year that includes the corporate governance practices and the key business processes. An internal control review report (excluding the securities broking division of the Group) was presented to the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's internal control system covering financial, operational, compliance and risk management controls. The internal audit department of the Group will assist the Audit Committee to identify areas for improvement and appropriate measures will be taken accordingly.

# Corporate Governance Report (Continued)

## AUDITORS' REMUNERATION

During the year, the fee paid or payable to Grant Thornton for statutory audit was approximately HK\$750,000. In addition, fee paid or payable to Grant Thornton for interim review, internal control review and tax compliance was approximately HK\$782,000.

## AUDIT COMMITTEE

The Audit Committee has 3 members, comprising Messrs. Chan Chak Cheung, William and Lau To Yee (who filled the vacancy left by the death of Mr. Cheng Kwai Yin) (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director). The Chairman of this Committee is Mr. Chan Chak Cheung, William. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The primary duties of the Audit Committee include the review of the Group's interim and annual financial reports, and the nature and scope of the external and internal audits including review of the effectiveness of the system of internal control. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the auditors, and reviews and monitors the auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the Company's auditors to ensure that appropriate recommendations are implemented.

During the year, the Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31st March, 2007 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee met 4 times in the year. The attendance of individual members at these meetings was as follows:

Name	Number of meetings attended
Mr. Cheng Kwai Yin ( <i>passed away on 4th May, 2006</i> )	0/4
Mr. Chan Chak Cheung, William	4/4
Mr. Wong Wei Ping, Martin	4/4
Mr. Lau To Yee ( <i>appointed on 2nd June, 2006</i> )	4/4

## COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, through annual general meetings or other general meetings to communicate with shareholders and encourage their participation. Shareholders of the Company are entitled to attend all general meetings in person or by proxy. The Company will inform the shareholders at all general meetings of the procedures for demanding a poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association of the Company.