

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board of Directors (the “Board”) of the Company is committed to maintaining high standards of corporate governance. Prior to the listing of the shares of the Company on the Stock Exchange on 17 October 2005, the Company adopted the code provisions set out in the Code on Corporate Governance Practices (“the Code”) in Appendix 14 of the Listing Rules as its own code of corporate governance practice on 19 September 2005.

In the opinion of the directors, the Company has complied with the Code throughout the period from 17 October 2005 to 31 March 2006 (the “Reporting Period”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group’s businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Chief Executive Officer.

The Board currently consists of seven members, including the Chairman, the Vice Chairman, one Executive Director, one non-executive Director and three Independent non-executive Directors. One of our Independent non-executive Directors have the professional and accounting qualifications required by the Listing Rules.

The Board schedules four meetings a year and also meets as and when required. During the Reporting Period, the Board held two regular meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each director may request inclusion of items in the agenda. For all Board meetings, at least 14 days’ notice is given to all Directors. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the directors.

The members of the Board and the attendance of each member are as follows:

	Directors	Number of attendance
Executive Directors	Tay Liam Wee (Chairman)	2/2
	Chau Kwok Fun, Kevin (Vice Chairman)	2/2
	Tay Liam Wuan (Chief Executive Officer)	2/2
Non-executive Director	Soh Gim Teik	0/2
Independent non-executive Directors	Lim Suet Fern	1/2
	Lew, Victor Robert King Roger	2/2 2/2

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all directors and committee members for comments before being approved by the Board and committees at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the directors.

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The Company has received annual confirmations of independence from Ms. Lim Suet Fern, Mr. Lew, Victor Robert and Mr. King Roger and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the director biographical details. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 6 and 8 of this annual report respectively.

All directors are subject to retirement at annual general meeting of the Company at least once every three years. All retiring directors shall be eligible for retirement. All the Independent non-executive Directors have been appointed for specific terms.

CHAIRMAN, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman, the Vice Chairman and the Chief Executive Officer is separate and performed by three directors.

Mr. Tay Liam Wee, who is the Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group. He is also responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

Mr. Chau Kwok Fun, Kevin is the Vice Chairman of the Company and assists the above role. He is also responsible for the overall development of the Group's business, as well as the strategic planning and positioning and management of the Group.

Ms. Tay Liam Wuan, who is the Chief Executive Officer, is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management of the Company.

The Remuneration Committee comprises three Independent non-executive Directors, namely Mr. King Roger (Chairman), Ms. Lim Suet Fan, and Mr. Lew, Victor Robert.

The Remuneration Committee has not held any meeting during the Reporting Period. The Remuneration Committee however reviewed the remuneration of the senior management by way of circular memorandum and resolutions during the Reporting Period.

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NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on appointment of directors and management of the Board succession. The Nomination Committee comprises three Independent non-executive Directors, namely Ms. Lim Suet Fern (Chairman), Mr. Lew, Victor Robert and Mr. King Roger.

The Nomination Committee has not held any meeting during the Reporting Period.

AUDITORS' REMUNERATION

During the Reporting Period, the Group was charged HK\$550,000 for auditing services and HK\$68,000 for non-auditing services by the Company's auditors, Deloitte Touche Tohmatsu.

Services rendered	Fees paid/payable HK\$'000
Audit services	550
Non-audit services:	
Taxation services	–
Review of continuing connected transactions	38
Issuance of certificate for reviewing results announcements	15
Issuance of turnover certificate to landlord of relevant stores	15

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

During the Reporting Period, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

	Directors	Number of attendance
Independent non-executive Directors	Lew, Victor Robert (Chairman)	2/2
	Lim Suet Fern	1/2
	King Roger	2/2

During the Reporting Period, the Audit Committee has performed the following duties:

- reviewed with the management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2005 and the unaudited quarterly financial statements for the nine months ended 31 December 2005, with recommendations to the Board for approval; and
- reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Mr. Lew, Victor Robert, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

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ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflows of the Group. In preparing the accounts for the six months ended 30 September 2005, for the nine months ended 31 December 2005, and for the year ended 31 March 2006, the directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.