



# Corporate Governance Report

The board of directors of the Company (the “Board”) is committed to maintain and ensure high standards of corporate governance and continuously reviews and improves the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2006 including the deviations as disclosed in the interim report of the Company for the six months ended 30 September 2005.

The Company will continue to seek to improve its management and raise its control level to enhance the Company’s competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for shareholders.

## Directors’ Securities Transactions

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

## Board of Directors

The Board is comprises two Executive Directors and four Independent Non-executive Directors. The Directors of the Company during the year and up to the date of this Annual Report were:

### Executive Directors

Mr. Tang Ching Ho (*Chairman*)

Mr. Chan Chun Hong, Thomas (*Managing Director*)

### Non-executive Directors

Mr. Leung Wai Ho (*re-designated to Independent Non-executive Director on 4 April 2006*)

### Independent Non-executive Director

Mr. Yuen Chi Choi

Mr. Siu Man Ho, Simon

Mr. Cho Wing Mou

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The biographical details of the Directors are set out on page 7 of this Annual Report. The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the Independent Non-executive Directors of the Company in Board meetings facilitate the maintenance of good corporate governance practices. At least one of the Independent Non-executive directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rule 3.10 (1) and (2) of the Listing Rules. A balanced composition of Executive and Non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All Independent Non-executive Directors are free from any business or other relationship with the Company. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three Independent Non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the interim control system of the Group. The meeting schedule is fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held as and when necessary to consider major issues. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to Directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.



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During the year, four Board meetings were held and the attendance of each Director are as follows:

Directors	Attendance
Mr. Tang Ching Ho	4/4
Mr. Chan Chun Hong, Thomas	4/4
Mr. Leung Wai Ho	4/4
Mr. Yuen Chi Choi	4/4
Mr. Siu Man Ho, Simon	4/4
Mr. Cho Wing Mou	4/4

## Roles of Chairman and Managing Director

The Chairman is Mr. Tang Ching Ho and the Managing Director is Mr. Chan Chun Hong, Thomas. There is a clear division of responsibilities between the Chairman and Managing Director, in that the Chairman bears primary responsibility for the functioning of the Board by ensuring its effective operation, while the Managing Director bears executive responsibility for the Company's business and the management of the day-to-day operations of the Company.

## Board Committee

The Board has established various committees, including the Remuneration Committee, Nomination Committee and Executive Committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate.

## Nomination Committee

The Nomination Committee has been established in September 2005 and currently consists of five members, including Messrs. Cho Wing Mou (Chairman), Yuen Chi Choi, Siu Man Ho, Simon, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are Independent Non-executive Directors.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment etc) identify and recommend proposed candidates to the Board.

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During the year, one Nomination Committee meeting was held and attendance of each member is set out as follows:

<b>Members of the Nomination Committee</b>	<b>Attendance</b>
Mr. Cho Wing Mou ( <i>Chairman</i> )	1/1
Mr. Yuen Chi Choi	1/1
Mr. Siu Man Ho, Simon	1/1
Mr. Tang Ching Ho	1/1
Mr. Chan Chun Hong, Thomas	1/1

## Remuneration Committee

The Board set up the Remuneration Committee in September 2005 with specific written terms of reference which deal with its authority and duties. It currently consists of five members, including Messrs. Yuen Chi Choi (Chairman), Siu Man Ho, Simon, Cho Wing Mou, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are Independent Non-executive Directors.

The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance while due having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all Executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The Remuneration Committee shall meet at least once a year. During the year, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

<b>Members of the Remuneration Committee</b>	<b>Attendance</b>
Mr. Siu Man Ho, Simon ( <i>Chairman</i> )	1/1
Mr. Tang Ching Ho	1/1
Mr. Chan Chun Hong	1/1
Mr. Yuen Chi Choi	1/1
Mr. Cho Wing Mou	1/1

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.



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## Audit Committee

The role of Audit Committee is to review the Group's financial reporting, internal controls and to make relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the year, the Audit Committee comprises the three Independent Non-executive Directors, namely, Mr. Yuen Chi Choi (Chairman), Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou.

The Audit Committee shall meet at least twice a year. Two Committee meetings were held during the year and the attendance of each member is set out as follows:

Member of the Audit Committee	Attendance
Mr. Yuen Chi Choi ( <i>Chairman</i> )	2/2
Mr. Siu Man Ho, Simon	2/2
Mr. Cho Wing Mou	2/2

During the year under review, the Audit Committee had reviewed the consolidated financial statements for the year ended 31 March 2006.

## External Auditors' Remuneration

During the year and up to the date of this report, the remuneration paid/payable to the Company's external auditors, Deloitte Touche Tohmatsu ("Deloitte"), are set out as follows:

Services rendered for the Group	Fees paid to Deloitte HK\$'000
Audit services	1,760
Non-audit services:	
— Taxation and professional services	153
— Other professional services	349
<b>Total:</b>	<b>2,262</b>

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## Communication with Shareholders

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company also acknowledges that general meeting are valuable forums for the Board to communicate directly with the Shareholders and Members of the Board and Committees are encouraged to attend and answer questions at the general meetings.

## Responsibility for Preparation and Reporting of Accounts

The Directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities are set out on page 22 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.