

# Corporate Governance Report

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “**Listing Rules**”) on the Stock Exchange for the year ended 31st March, 2006, except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. The company’s independent non-executive Directors (as defined below) are not appointed for a specific terms but are subjected to retirement by rotation under the Company’s Bye-laws, so that every independent non-executive Directors (as defined below) shall retire at least once every three years.

## DIRECTORS’ SECURITIES TRANSACTION

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**”), a code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors (as defined below), all Directors (as defined below) confirmed they have complied with the required standard set out in the Model Code.

## THE BOARD OF DIRECTORS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company assumes responsibility for the management of the Group’s affairs, and concentrates on matters affecting the Group’s overall strategic policies, finances, shareholder interests and corporate governance. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

The Board comprises seven Directors including four executive Directors and three 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 its independent non-executive directors are independent. Each of the independent non-executive Directors has professional, financial or accounting qualifications.

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The Directors of the Group during the year and up to the date of this report were:

*Executive Directors:*

Mr. Li Man Ching (*Chairman*)

Ms. Li Mei Lin (*Deputy Chairman and Chief Executive Officer*)

Mr. Li Man Shun

Mr. Fung Chi Ki

*Independent non-executive Directors:*

Mr. Lau Chung Man, Louis

Mr. Tsui Wing Yin

Mr. So Kin Wah

The biographical details of the Directors are set out on page 7 of this annual report.

The Board had met eleven times this year to review the financial performance of the Group, major issues and also on the other occasions when the board decision were required. The views of directors were actively solicited if they were unable to attend the meeting of the Board, and the table below sets out the attendance record of each Director:

<b>Name of Directors</b>	<b>Attendance</b>
<i>Executive Directors</i>	
Mr. Li Man Ching ( <i>Chairman</i> )	8/11
Ms. Li Mei Lin ( <i>Deputy Chairman and Chief Executive Officer</i> )	11/11
Mr. Li Man Shun	11/11
Mr. Fung Chi Ki	11/11
<i>Independent non-executive Directors</i>	
Mr. Lau Chung Man, Louis	8/11
Mr. Tsui Wing Yin	6/11
Mr. So Kin Wah	8/11

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the Chief Executive Officer bears executive responsibility for the Group's business, the management of the day-to-day operations of the Group.

## AUDIT COMMITTEE

The Company had established a audit committee whose terms of reference was formulated in accordance with the requirements of the Stock Exchange and its current members comprise of:

Lau Chung Man, Louis (*Chairman*)

Tsui Wing Yin

So Kin Wah

All the members of the audit committee are independent non-executive directors. The composition and members of the audit committee complies with the requirements of the listing Rule 3.21.

The Audit Committee's primary responsibilities include reviewing the reporting of financial and other information to shareholders, the system of the internal controls, risk management and the effectiveness and objectivity of the audit process. The audit committee had met three time this years, and all the members had attended the meeting.

## REMUNERATION COMMITTEE

The remuneration committee was established in 2005 with specific terms of reference which deal clearly with its authority and duties, the current members include Mr. Lau Chung Man, Louis, the chairman, Mr. So Kin Wah and Ms Li Mei Lin. The remuneration committee had met two times this year to review the directors' remuneration and give its recommendation to the board for consideration. All members of the committee had attended the meetings

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## NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors has been delegated to the Chairman and other executive Directors. They reviewed regularly the need to appoint additional Directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as Directors. During the year, no candidates be nominated.

## AUDITORS' REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the year, the audit fee including fee for interim review charge to the accounts this year is HK\$1,080,000. Deloitte Touche Tohmatsu are also the tax advisers of the Group, the services charges for the year is HK\$198,000.

## RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards.

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Report of the Auditor on page 18 to page 19 of this annual report.

During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.