

CORPORATE GOVERNANCE PRACTICES

The Board of directors of the Company (the “Board”) is committed to achieving high standards of corporate governance by emphasizing transparency, independence, accountability, responsibility and fairness. The Board strive to ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company and to enhance long-term shareholder value.

During the year ended 31 March 2006, the Company has applied the principles of the code provisions of the Code on Corporate Governance Practice (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and has complied with all the code provisions of the Code except for the following deviations. The Company has taken active steps to correct some of the deviations during the year. Nevertheless, none of the deviation remained is considered by the Board to be material or inappropriate given the size, nature and circumstance of the Group.

Code provision A.2.1

Mr. Tse Wing Chiu, Ricky was appointed as Vice Chairman on 15 November 2005. He was re-designated from Vice Chairman to Chairman and appointed as Chief Executive Officer on 20 January 2006. The Board considers that the combination of the roles of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

Code provision A.4.1

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected pursuant to the Bye-laws of the Company.

Code provision A.4.2

At the annual general meeting of the Company held on 18 August 2005, shareholders approved the amendments to the Company's Bye-laws to the effect that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director (save and except for the Managing Director and Chairman) shall be subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected. According to the Special Act of the Company (the “Act”), no director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-laws of the Company. As the Company is bound by the provisions of the Act, the Bye-laws of the Company cannot be amended to fully reflect the requirements of the Code. Nevertheless, Mr. Tse Wing Chiu, the present Chairman has indicated his intention to the Board that he will voluntarily offer himself to retire and be re-elected in the annual general meeting if required to do so in order to comply with the Code.

Code provision A.5.4

Written guidelines in respect of dealing in securities of the Company by relevant employees were established by the Company on 5 May 2005. Such written guidelines will be issued to the relevant employees of the Group when occasion warrants.

Code provisions B.1.1 and B.1.3

On 5 May 2005, a Remuneration Committee was established with written terms of reference on no less exacting terms than those set out in Code provision B.1.3.

Code provision C.3.3

The terms of reference of the Audit Committee were revised on 5 May 2005 to comply with the Code provision C.3.3.

Code provisions B.1.4 and C.3.4

The Company does not maintain a website for the time being. Actions are being taken to establish a website for the Company, whereat the written terms of reference of the Audit Committee and the Remuneration Committee will be made available. These terms of reference are also available upon request.

Code provision D.1.2

The respective functions of the Board and management of the Company have been formalized and set out in writing which was approved by the Board on 1 December 2005. Such arrangements will be reviewed periodically.

Code provision E.1.2

Mr. Kan Ka Hon, the Chairman of the Audit Committee, was unable to attend the annual general meeting of the Company held on 18 August 2005 due to business reasons. The other members of the Audit Committee including Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming were present to answer questions at the meeting.

Code provisions B.1.3(a) and (b)

The code provisions have been revised due to the reasons discussed in the section "Remuneration Committee" below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 its own code of conduct in relation to directors' securities transactions. All directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, policy decisions, oversee the management of the Group, evaluate the performance of the Group and assess the achievement of targets periodically set by the Board. More detailed considerations, such as implementing the strategies laid down by the Board, overseeing the group's business operations and making day-to-day operating decisions, are delegated to the various Board Committees and the management.

During the year, Mr. Tse Wing Chiu, Ricky was appointed as executive director and Vice Chairman of the Company on 15 November 2005. Mr. Tsang Yiu Kai, the former executive director and Vice Chairman of the Company, resigned all his positions (including member of the Remuneration Committee and the Executive Committee) from the Company on 10 December 2005. Mr. Koon Wing Yee, the former executive director, Chairman and Chief Executive Officer of the Company, resigned all his positions (including Chairman of the Remuneration Committee and Executive Committee) from the Company on 20 January 2006. Mr. Tse Wing Chiu, Ricky was re-designated to Chairman and Chief Executive Officer on 20 January 2006 and Ms. Lui Yuk Chu was appointed as Deputy Chairman on 20 January 2006.

Currently, the Board comprises five directors, whose biographical details are set out in the "Biographical Details of directors" on page 8 of this Annual Report. Two of the directors are executive, namely Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu, three are independent non-executive, namely Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the independent non-executive directors and at least one of the independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise throughout the financial year ended 31 March 2006.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has met three times during the year ended 31 March 2006. The attendance of individual directors at the Boarding meeting is set out in the table below.

Name of Directors	Number of Meetings attended	Attendance rate
Executive Directors		
Mr. Koon Wing Kee (resigned on 20 January 2006)	2/2	100%
Mr. Tsang Yiu Kai (resigned on 10 December 2005)	1/2	50%
Mr. Tse Wing Chiu Ricky (appointed on 15 November)	2/2	100%
Ms. Lui Yuk Chu	3/3	100%
Independent Non-executive Directors		
Mr. Kan Ka Hon	3/3	100%
Mr. Kwong Jimmy Cheung Tim	2/3	67%
Mr. Lau Sin Ming	3/3	100%

Chairman and chief executive officer

Mr. Tse Wing Chiu, Ricky currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The reasons for such deviation from the code provisions set out in the Code are explained in the section headed "Corporate Governance Practices" above.

Retirement and re-election of Directors

The Bye-laws of the Company provide that (1) each Director (except the Managing Director and Chairman) is required to retire by rotation at the annual general meeting no later than the third annual meeting after he was last elected or re-elected and the directors to retire at every annual general meeting shall be decided by the Board; and (2) any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at the meeting.

Independent non-executive directors

The Independent non-executive directors are not appointed for specific terms, but they are subject to the retirement by rotation and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company.

Pursuant to the requirement of the Listing Rules, the Company has received written confirmation from all three independent non-executive directors of their independence from the Company. The Board has assessed their independence and concluded that all independent non-executive directors are independent within the definition of the Listing Rules.

BOARD COMMITTEES

The Board has established three committees, namely, the remuneration committee (the "Remuneration Committee"), the audit committee (the "Audit Committee") and the executive committee (the "Executive Committee") with clearly defined written terms of reference. The Chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

Remuneration Committee

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code.

The committee comprised three independent non-executive directors, namely, Mr. Kwong Jimmy Cheung Tim (Chairman of the Committee), Mr. Kan Ka Hon, and Mr. Lau Sin Ming. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for remuneration of directors and to ensure that no director is involved in deciding his own remuneration.



During the financial year ended 31 March 2006, one meeting has been held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

Name of Directors	Number of Meetings attended	Attendance rate
Mr. Kan Ka Hon	1/1	100%
Mr. Kwong Jimmy Cheung Tim	1/1	100%
Mr. Lau Sin Ming	1/1	100%

During the meeting, the Remuneration Committee has reviewed, recommended and approve the adoption of the director remuneration policy. It also revised its terms of reference adopted in May 2005 to enable the executive directors of the Company to have better control and management of the senior staff of the Company.

The primary objective of the director remuneration policy adopted during the meeting is to attract, retain and motivate the Board members by providing fair reward for the responsibilities they undertake and the performance they achieve. In this context, the remuneration policy is to set the overall remuneration package at a competitive level and in a form that permits additional remuneration to be earned for high performance over a sustained period. This is normally achieved by benchmarking the director's remuneration package against packages paid by comparable listed companies, the performance of individual directors, the Company's performance and the prevailing market conditions. The policy explicitly disallows director of the Company to approve his own remuneration.

The main components of remunerating executive directors are director fee, basic salary, benefit in kind, discretionary performance based bonus, retirement benefits and participation in the share option scheme adopted by the shareholders of the Company in June 2002 ("Share Option Scheme").

The independent non-executive directors do not receive any discretionary bonus or other benefits from the Company. But, they are eligible for the Share Option Scheme subject to the approval of the shareholders of the Company.

To enable more effective management of the senior staff of the Company, the meeting also revised its terms of reference so that senior staff's remuneration packages are determined by the executive directors of the Company rather than determined by the Remuneration Committee. Code provision B.1.3(a) of the Code stipulates that the Remuneration Committee should have the duties to make recommendations to the Board on the issuer's policy and structure for all remuneration of directors and senior management and Code provision B.1.3(b) requires the Remuneration Committee to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management. During the meeting, the terms of reference has been revised in such as way that the Remuneration Committee of the Company should make recommendation to the Board of the Company on the Company's policy and structure for all remuneration of "directors" only instead of "directors and senior management" as set out in the Code and should "review" (as opposed to "determine") and make recommendations to the Board on the remuneration packages of "executive directors" only instead of "executive directors and senior management" for the following reasons:

1. the Remuneration Committee comprises independent non-executive directors only who are not involved in the daily operation of the Group. They may not be industry skilled due to their different backgrounds and professions and may not be knowledgeable about the prevailing remuneration packages for directors and senior management in the industry where the Company is operating. The Remuneration Committee is thus not in a position to properly "determine" the remuneration of the executive directors and senior management;

2. the Remuneration Committee is not in a proper position to evaluate the performance of senior management due to their limited time involved in the Company's business. The evaluation process is more effectively carried out by the executive directors who devote all of their active business time to the business and affairs of the Group; and
3. the executive directors may not be able to take good control of their subordinates if they are not directly involved in evaluating and determining their subordinates' remuneration. As a result, the efficiency and effectiveness of the Company's operations may be affected.

Save as disclosed above, the terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code.

During the year ended 31 March 2006, no director has been involved in deciding his own remuneration.

Audit Committee

The Company has established an Audit Committee. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the Code.

The Audit Committee is chaired by Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming as members, all of whom are independent non-executive directors. The external auditors of the Company (the "Auditors"), together with the financial staff of the Company are invited to attend these meetings as and when required.

In accordance with its terms of reference the principal functions of the Audit Committee is to determine the appropriateness of accounting policies to be used in the Group's annual results. In addition the Audit Committee is responsible for assessing the Group's audit arrangements and the Group's system of internal controls, and to review the half-yearly and annual results before publication.

During the financial year ended 31 March 2006, two meetings have been held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Number of Meetings attended	Attendance rate
Mr. Kan Ka Hon	2/2	100%
Mr. Kwong Jimmy Cheung Tim	2/2	100%
Mr. Lau Sin Ming	2/2	100%

The Audit Committee has reviewed with management and the Auditors the accounting principles and practices by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements.

The Group's interim report for the six months ended 30 September 2005 and the annual report for the year ended 31 March 2006 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.



The Executive Committee

The Executive Committee, which is chaired by Mr. Tse Wing Chiu, Ricky and comprises all the executive directors of the Company, meets regularly and operates as a general management committee under the direct authority of the Board. Within the parameter of authority delegated by the Board, the Executive Committee sees to the implementation of Group strategy set by the Board, monitors the Group's investment and trading performance, funding and financing requirements, and reviews management performance. It handles all matters on behalf of the Board, acting within the authorities delegated to it by the Board.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the Auditors received approximately HK\$538,000 for audit service and approximately HK\$528,000 for non-audit services related to interim review, rights issue, very substantial acquisition and ongoing connected transactions.

NORMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is empowered under the Company's Bye-laws to appoint any person as director either to fill a casual vacancy on or as an additional member of the Board.

A written director nomination policy was adopted by the Company in a Board meeting held in March 2006 with the intent to provide a set of guideline for the effective functioning of the Company's director nomination process. The policy stipulates the criteria for identifying director candidates and the procedures for nomination, evaluation and assessment of candidates for directorship. The selection criteria are mainly based on the assessment of their integrity, professional qualifications, commitment to the Company and experience relevant to the Company's business.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditors regarding their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 24.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limit of authority and segregation of duties which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Board receives regular reports on the financial and business performance of the Group. The Board is regularly advised through these reports on the working capital position and financial performance relative to the Group's activities. The Board also accepted the recommendations from the Auditors on improvement of certain Group's system of internal control after completion of the 2006 annual audit. The Board is of the view that the present internal control system of the Group is adequate with room for further improvement. The Board will conduct review on the effectiveness of the system of internal control of the Group at least annually and report the result of the review to the shareholders.

COMMUNICATION WITH SHAREHOLDERS

The Company values the views of shareholders and recognizes their interests in the Group's strategy and performance. All shareholders are welcome to the annual general meeting of the Company, at which directors of the Board will be available to answer questions from shareholders. Communication is also provided through the Annual Report, the Interim Report, press announcements and circulars issued by the Company from time to time. Actions are being taken to establish a website for the Company, whereat details of the Company's financial information and other information will be made available to the shareholders. Shareholders may also contact the Company in writing if they wish to do so.