

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintaining high standards of corporate governance. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect shareholders' interest in general.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31st March, 2006, save for the deviations discussed below.

To ensure compliance with the Code, the Board has undertaken to review and propose the necessary amendments to the Bye-Laws of the Company to bring the constitution of the Company in alignment with certain provisions of the Code.

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws.

As the Company is bound by the provisions of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, the forthcoming annual general meeting of the Company will be held to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

To enhance good corporate governance practices, Mr. Leung Chung Ping, Owen, the Chairman of the Board has confirmed to the Board on 28th June, 2006 that he will voluntarily retire from his directorship at forthcoming annual general meeting of the Company in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and financial performance. The management of the Group is responsible for the day-to-day management and operation of the respective individual business unit.

The Board comprises two executive directors, one non-executive director and three independent non-executive directors. The biographical details of the directors are set out on page 3 to this Annual Report.

The Board possesses a balance of skill 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 the Board meetings facilitate the maintenance of good corporate governance practices. One of the independent non-executive directors has the appropriate professional accounting experience and expertise as required by Rule 3.10 (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 independent and objective decision making process for the best interests of the Company.

The Company has received from each independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of them to be independent.

The Board meets regularly to review the financial and operating performance of the Group. During the year, four board meetings were held and the individual attendance of directors are set out below:

	Number of meetings attended
Directors	
Executive Directors	
Leung Chung Ping, Owen (<i>Chairman</i>)	4/4
Sum Pui Ying, Adrian (<i>Managing Director</i>)	3/4
Non-Executive Director	
Leung Miu King, Marina	3/4
Independent non-executive Directors	
Sit Kien Ping, Peter	4/4
Lai Si Ming	3/4
Frank H. Miu	4/4

Miss Leung Miu King, Marina is the younger sister of Mr. Leung Chung Ping, Owen.

CHAIRMAN AND MANAGING DIRECTOR

The Chairman is Mr. Leung Chung Ping, Owen while the Managing Director is Mr. Sum Pui Ying, Adrian. There is a clear division of responsibilities between the Chairman and the 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, the management of the day-to-day operations of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

NON-EXECUTIVE DIRECTORS

During the year, 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 annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

In spirit of good corporate governance practices, all the non-executive directors of the Company will enter into service agreements with the Company for a specific term of two years within the coming year.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. Pursuant to the Company's Bye-Laws, the Board is empowered to appoint any person as a director either to fill a casual vacancy or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first annual general meeting after his first appointment. At each annual general meeting, one-third of the directors, save for a director holding office as Chairman or Managing Director, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election.

A special resolution will be proposed at the forthcoming annual general meeting held on 28th September, 2006 to amend the Bye-Laws to provide that every director (including those appointed for a specific term but excluding the Chairman of the Board and the Managing Director) shall be subject to retirement by rotation at least once every three years.

Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting. As the Company is bound by the provisions of such Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. Therefore, in spirit of good corporate governance practices, the Chairman of the Board of the Company has confirmed to the Board on 28th June, 2006 that he will voluntarily retire from his directorship at forthcoming annual general meeting of the Company in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting.

On the same date, an amendment to Bye-Law 92 will also be proposed to provide that any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting instead of annual general meeting.

REMUNERATION OF DIRECTORS

The Board set up the Remuneration Committee on 15th July, 2005 with specific written terms of reference which clearly deal with its authority and duties. 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, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION OF DIRECTORS (continued)

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Frank H. Miu, Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and one non-executive director, namely Miss Leung Miu King, Marina. The Remuneration Committee is chaired by Mr. Frank H. Miu.

The first Remuneration Committee meeting was held on 27th April, 2006, advising the Board on the Group's overall policy and structure of the remuneration of the directors and senior management. The attendance rate of each committee member is 100%. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration. Based on the review and discussion at the Meeting, the Remuneration Committee recommended to the Board to approve the Group's overall policy and structure of the remuneration of the directors and senior management.

AUDITORS' REMUNERATION

For the year ended 31st March, 2006, the total remuneration of the Company's auditors for statutory audit services and interim review is HK\$455,000 and HK\$105,000 respectively.

AUDIT COMMITTEE

The Board set up the Audit Committee on 1st January, 1999 with specific written terms of reference which clearly deal with its authority and duties. The Audit Committee's role is to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board.

The Audit Committee currently comprises three independent non-executive directors namely Mr. Lai Si Ming, Mr. Sit Kien Ping, Peter and Mr. Frank H. Miu. The Audit Committee is chaired by Mr. Lai Si Ming.

The Audit Committee held four meetings in 2005.

The individual attendance of committee members are set out below:

Committee member	Number of committee meeting attended
Lai Si Ming (<i>Chairman</i>)	3/4
Sit Kien Ping	4/4
Frank H. Miu	4/4

At the meetings, the Audit Committee reviewed, among other things, the half-yearly and annual financial statements.

Under its terms of reference, which were prepared and adopted with reference to the Code and "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, the Audit Committee is required, among other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations.

Based on the review and discussion at the meetings, the Audit Committee recommended to the Board, among other things, to approve the half-yearly and annual results of the Group.

CORPORATE GOVERNANCE REPORT (CONTINUED)

FINANCIAL REPORTING

The Board acknowledges its responsibilities for preparing the financial statements which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 27 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.

INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circular of the Company accompanying notice convening annual general meeting and has been read out by the Chairman at the annual general meeting held in 2005.

At the 2005 annual general meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The respective chairman of the Board and Audit Committee attended the 2005 annual general meeting to answer any questions may be raised by shareholders.