

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended 31st March 2006.

The Board is dedicated to sound governance practices and strives to meet the standard at all levels of the organisation. We have designed our corporate governance policies and practices to ensure that we are focused on our responsibilities to our shareholders and on increasing shareholder value. We recognize the vital importance of trust in relationship with our shareholders and investors and solid corporate governance practices ensure the alignment of corporate behaviours with shareholder interests by promoting the principles of transparency, accountability and independence in the Group's business activities and decision making processes.

The Company has applied the principles of the code provisions ("Code Provisions") under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31st March 2006, save for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 as disclosed under the paragraphs "Chairman and chief executive officer" and "Re-election of directors" respectively.

THE BOARD

Board composition and role

The Board is responsible for overseeing our management and business affairs as well as approving strategic plans and major policy decisions for the Group.

The Board is composed of two executive directors and three independent non-executive directors, whose biographical details and relevant relationships among them are disclosed under "Biographical details of directors and senior management" on page 9.

During the year ended 31st March 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, all of them possess appropriate professional qualifications, or accounting or related financial management expertise. In addition, the Company has received, from each of the independent non-executive director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all of them are independent to the Company.

The directors are kept abreast of their responsibilities as directors of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to directors and the Board committee members in a timely manner to keep them apprised of the latest development of the Group. The Board and each director also have separate and independent access to the senior management whenever necessary.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Chairman and executive officer

Mr. Lee Chi Keung, Russell is currently the chairman of the Board and the chief executive officer of the Group. This deviates from Code Provision A.2.1 that stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about of the Group's business and that vesting the roles of both chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans.

Directors' securities transactions

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March 2006. The Model Code also applies to other specified senior management of the Group.

Board meetings

The Board held four meetings during the year and the attendance record of each individual director is as follows:

Name of directors	Number of board meetings attended	Attendance rate
Executive directors		
Mr. LEE Chi Keung, Russell	4/4	100%
Ms. YU Mee See, Maria	4/4	100%
Independent non-executive directors		
Mr. NG Wai Hung	2/4	50%
Mr. LEE Siu Leung	3/4	75%
Mr. YUEN Sik Ming	3/4	75%

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Board meetings *(continued)*

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Re-election of directors

In accordance with the bye-laws of the Company, Ms. Yu Mee See, Maria and Mr. Lee Siu Leung shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The Company's circular dated 18th July 2006 contained information of the directors standing for re-election.

The chairman of the Board and/or managing director of the Company were/was not subject retirement by rotation in accordance with the relevant provisions of the Bye-laws of the Company. This deviates from Code Provision A.4.2 that specifies every director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years. In the spirit of good corporate governance practices, the Board has proposed relevant amendments to be made to the Bye-laws of the Company at the forthcoming annual general meeting.

In addition, Code Provision A.4.1 specifies that the non-executive directors should be appointed for a specific term, subject to re-election. The term of the independent non-executive directors is not fixed but they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

BOARD COMMITTEES

The Company is committed to implement good corporate governance practices and has established three committees that assist the Board in the areas of executive remuneration, nomination and audit. The terms of reference of which describe the authority and duties of these committees were adopted and/or amended to conform with the provisions of the Code.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Remuneration Committee

The remuneration committee was established on December 2005 for the purposes of reviewing the remuneration policies of directors and senior management and satisfying itself that it is competitive and aligns directors' interests with those of shareholders. In line of good and fair practice, the committee currently consists of all independent non-executive directors.

Since the remuneration committee has only been established in December last year, no meeting was held during the year ended 31st March 2006. Yet, the remuneration committee considers that the existing employment terms of the executive directors and of the senior management, and the independent non-executive directors are fair and reasonable.

Nomination Committee

The nomination committee was established on December 2005 and is responsible for selecting Board members to maintain the Board's high level of skills and experience as well as ensuring transparency of the selection process. It also has the responsibility to determine what skills, qualities and backgrounds the Board needs to fulfill its responsibilities with a view to diverse representation on the Board. There are four members in the nomination committee and is chaired by the Company's independent non-executive director.

Since the nomination committee has only been established in December last year, no meeting was held during the year ended 31st March 2006. There was no nomination of directors to fill board vacancies in 2006.

Audit Committee

The audit committee was established in 1999 and its current members comprises all independent non-executive directors who possess appropriate professional qualifications, accounting and related financial management expertise as required under the Listing Rules.

The primary duty of the audit committee is to assist the Board in providing an independent review of the Group's financial accounts and internal control systems for quality, integrity and regulatory compliance.

The audit committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors, including a review of the accounts for the six months ended 30th September 2005 and for the year ended 31st March 2006.

The audit committee endorsed the accounting treatments adopted by the Group and had to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and the Appendix 16 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The audit committee met three times during the financial year ended 31st March 2006 and the individual attendance of each member is set out below:

Name of Directors	Number of meetings attended	Attendance rate
Mr. NG Wai Hung	2/3	67%
Mr. LEE Siu Leung	3/3	100%
Mr. YUEN Sik Ming	3/3	100%

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges its responsibility for preparing all information and representations contained in this report for the year under review.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 20. For the year ended 31st March 2006, the auditors of the Company only provided audit services to the Company.

The Group maintains an effective internal control structure. It consists, in part, of organisational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. The Board has conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management functions.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain a high level of transparency in communicating with shareholders and investors.

The directors ensure that the publication and dispatch of the printed copies of corporate communications documents to shareholders are in a timely manner.

The annual general meeting and other general meetings of the Company provide a forum for shareholders and investors to raise and exchange views with the Board. The chairman of the Board as well as the Board committees or senior management of the Company are available to answer questions raised by the shareholders and investors. Details of rights to demand poll and procedures are included in the circular convening a general meeting to be dispatched to shareholders of the Company. Poll results will be published in the newspapers on the business day following the general meeting and posted on the website of the Stock Exchange.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.