

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company (the "Board") is of the view that corporate governance is vital to the continued success of the Company and has therefore adopted various measures to ensure that a high standard of corporate governance is upheld. With effect from 1st January 2005, the Company has applied the principal and complied with the requirements of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK") save and except certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

Directors

Directors' Securities Transactions

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

Board of Directors

The Board comprises:

Executive Directors	:	Mr. Chan Kien Sing Mr. Chin Chee Seng, Derek Ms. Tan Ee Ling Mr. Wong Man Hong
Independent Non-Executive Director	:	Dato' Lee Ah Hoe Mr. Tan Tee Yong Mr. Leou Thiam Lai

Each Independent Non-Executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The Board is responsible for the types of decision relating to the following aspects:

- formulation of operational the strategic direction of the Company;
- monitoring the financial performance of the Company;
- overseeing the performance of the management;
- ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and
- setting the Company's values and standards.

while daily operation and administration are delegated to the management.

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The Directors come from diverse business and professional backgrounds rendering valuable expertise and experience for promoting the best interests of the Group and its shareholders as a whole by taking care of the interests of all the shareholders and that issues are considered in a more objective manner.

During the financial year ended 30th April 2006, no Board meetings were held. Nevertheless, the Board has its own systems to circulate documents and proposals to the Board members to enable them to express their comments and opinions and make informed decisions on matters to be passed by written resolutions. Draft written resolutions will be circulated to collect comments from Board members before the formal written resolutions are circulated for signatures. The business operations were under management and supervision of the executive directors and senior management who had from time to time held meetings to discuss and resolve all material business or management issues. Nevertheless, the Company intends to hold regular Board meetings (including meetings via electronic means of communication) in the future in order to conform to the Code.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Chairman and Chief Executive

Mr. Chan Kien Sing ("Mr. Chan") is the chairman. There is no appointment of chief executive officer and the daily management of the Company is monitored by the executive directors. The balance of power and authority is ensured by the operations of the Board and the Board considers that such simple operation carried out currently can ensure that business decisions be made more efficiently and effectively.

Mr. Chan was unable to attend the 2005 Annual General Meeting of the Company because of other business commitment.

Ms. Tan Ee Ling is the spouse of Mr. Wong Man Hong.

Appointment and Re-election of Directors

None of the directors (including executive and independent non-executive directors) has entered into a service contract with the Company. They are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the articles of association of the Company (the "Articles of Association").

According to the Articles of Association, one third of the directors (or of the number is not multiple of three, then the number nearest to but not exceeding one third) shall retire from office by rotation at each annual general meeting and managing directors shall not be subject to retirement by rotation and any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The above practice deviates from the provision A.4.2 of the Code which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years. Having reviewed the relevant Articles of Association, the Board proposed to put forth a special resolution in the coming annual general meeting to amend the Articles of Association to comply with the said code provision.

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Remuneration of Directors and Senior Management

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 17th October 2005 comprising three independent non-executive directors. Dato' Lee Ah Hoe is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

- (1) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors of the Company and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- (2) To have the delegated responsibility to determine the specific remuneration package for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive director. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.
- (3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.
- (4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.
- (5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
- (6) To ensure that no director or any of his associate is involved in deciding his own remuneration.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held in the financial year. The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended 30th April 2006	Attendance rate
Dato' Lee Ah Hoe	1	100%
Mr. Tan Tee Yong	1	100%
Mr. Leou Thiam Lai	1	100%

At the meeting held during the year, various issues concerning the terms of reference of the Remuneration Committee were discussed.

Details of the directors' emolument are set out in note 10 to the financial statements.

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Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 15 of this Annual Report.

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal controls. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group. Their responsibilities include:

- Approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities.
- Monitoring the compliance with applicable laws and regulations, and also with corporate governance policies.
- Monitoring the quality, timeliness, and content of internal and external reporting.

The Board reviews the effectiveness of the Group's material internal controls. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

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Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 15th December 2000 now comprising three independent non-executive directors. One member has appropriate professional qualifications or accounting or related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The existing terms of the reference of the Audit Committee, its major role and functions are, amongst others, as follows:

1. To review the half year and annual financial statements before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and legal requirements;
2. To review the external auditor's management letter and management's response;
3. To consider the major findings of internal investigation and management's response; and
4. To consider other topics, as defined by the Board.

The existing terms of reference of the Audit Committee was adopted in 2000 and the Board is considering of adopting a revised terms of reference to conform to and to implement the principles set out in the Code.

Two meetings were held in the financial year. The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended		Attendance rate
	30th April 2006		
Dato' Lee Ah Hoe	2		100%
Mr. Tan Tee Yong	2		100%
Mr. Leou Thiam Lai	2		100%

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- reviewed the financial reports for the year ended 30th April 2006 and six months ended 31st October 2005;
- reviewed the external auditors' statutory audit plan and engagement letter;
- reviewed the management letter from the external auditors in relation to the audit of the Company for the year ended 30th April 2006;
- reviewed and recommended for approval by the Board the scope and fee of audit in 2005;
- reviewed the effectiveness of internal control system of the Company.

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Auditors' Remuneration

During the financial year ended 30th April 2006, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable <i>(HK\$'000)</i>
Audit services	310
Non-audit services	250
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	560
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