

CORPORATE GOVERNANCE REPORT

The Board is committed to promoting good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to 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 ("Listing Rules"). Except for the deviations discussed below, the Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended March 31, 2006.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company on terms no less exacting than Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Company's code of conduct in this respect throughout the year ended March 31, 2006 and up to the date of publication of this Annual Report.

BOARD OF DIRECTORS

The Board of Directors is accountable to the shareholders for the leadership and management and control of the business of the Company. The Board delegates to the Chief Executive Officer and his Management team day-to-day management of the Company's business, including the preparation of annual and interim accounts and implementation of internal controls, in accordance with the strategy, policies and programs approved by the Board.

The Board of Directors held 5 meetings during the financial year. The attendance of individual members of the Board and other committees during the year ended March 31, 2006 is set out in the following table:

Directors	Meetings attended/Eligible to attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Kong Ho Pak (<i>Chairman of the Board</i>)	5/5	–	–	–
Ling Tai Yuk, John (<i>Chief Executive Officer</i>)	3/5	–	–	–
Pang Hon Chung	4/5	–	–	–
Non-Executive Directors				
Ng Tze Kin, David	5/5	4/4	–	–
Chau Wai Yin, Jonathan (<i>Chairman of Remuneration Committee and Nomination Committee</i>)	4/5	–	1/1	1/1
Independent Non-Executive Directors				
Leung Shu Yin, William (<i>Chairman of Audit Committee</i>)	5/5	4/4	–	–
Lee Tsoh Ching, Jonathan	5/5	4/4	1/1	1/1
James Keir	5/5	4/4	1/1	1/1

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The Company's Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the Code. However, in order to be more consistent with code provision A.4.1, the relevant Bye-law of the Company was amended, at the Company's Annual General Meeting on September 16, 2005, to ensure that every Director retire by rotation at least once every three years. Therefore, the Board considers that it is not necessary to appoint the non-executive directors for specific terms.

The Company considers that its Non-executive Directors and Independent Non-executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and garment businesses. At least one of the Independent Non-executive Directors has appropriate accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules The Remuneration Committee has held 1 meeting in the year., each Independent Non-executive Director has given the Company an annual confirmation in writing of his independence from the Company. The Company considers all the Independent Non-executive Directors to be Independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other apart from the below. Mr. Kong Ho Pak and Mr. Ling Tai Yuk, John are brothers-in-law. Besides, they are also business partners. They are both the directors and shareholders of a private company incorporated in Hong Kong.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ling Tai Yuk, John was both the Chairman and the Chief Executive Officer ("CEO") of the Company until May 30, 2005. To comply with the code provision A.2.1 of the Code, Mr. Kong Ho Pak was appointed as the Chairman of the Company on May 30, 2005 and responsible for the management of the Board. Mr. Ling Tai Yuk, John remains as the CEO and responsible for the day-to-day management of the Company's businesses.

BOARD COMMITTEES

Currently the Company has set up three board committees, namely, Remuneration Committee, Nomination Committee and Audit Committee.

(a) Remuneration Committee

The Remuneration Committee was established in May 2005. It is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors. It also provides effective supervision and administration of the Company's share option schemes. The committee's authority and duties are set out in written terms of reference and are available on request.

Members of the Remuneration Committee are:

Chau Wai Yin, Jonathan (*Chairman*)

Lee Tsoh Ching, Jonathan

James Keir

The Company's objectives for its remuneration policy are to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to Directors and senior management, market rates, director's workload and responsibilities and general economic situation would be taken into consideration.

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The Remuneration Committee has held 1 meeting in the year. The following is a summary of work performed by the Remuneration Committee during the year:

- i) make recommendation to the Company's remuneration policy for the senior management and Directors;
- ii) recommendation for Non-Executive Directors' fees for the year to the Board for approval;
- iii) review and approval of the remuneration packages for Executive Directors.

Details of emoluments of each director are set out in note 8 to the financial statements.

(b) Nomination Committee

The Nomination Committee was established in May 2005. It is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes. The committee's authorities and duties are set out in written terms of reference and are available on request.

The Committee's objectives are to ensure formal, fair and transparent procedures for the new appointment and re-appointment of directors to the Board.

Members of the Nomination Committee are:

Chau Wai Yin, Jonathan (*Chairman*)
Lee Tsoh Ching, Jonathan
James Keir

The Nomination Committee has held 1 meeting in the year. The following is a summary of work performed by the Nomination Committee during the year:

- i) review the structure, size and composition of the Board;
- ii) recommendation to the Board for approval relating to the retiring directors, namely Ling Tai Yuk, John, Pang Hon Chung and Ng Tze Kin, David, for re-election at the annual general meeting 2006;
- iii) consideration of the independence of all the independent Non-Executive Directors.

(c) Audit Committee

The Company has established the Audit Committee in December 1999. The Audit Committee consists of 3 Independent Non-executive Directors and 1 Non-executive Director. One of the Independent Non-executive Directors has the appropriate professional qualification, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Leung Shu Yin William and the other members include Mr. Ng Tze Kin, David, Mr. Lee Tsoh Ching, Jonathan and Mr. James Keir.

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During the year, the terms of reference of the Audit Committee have been revised to include the duties specified in the Code. The revised terms of reference of the Audit Committee is available on request. The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures.

The Audit Committee held 4 meetings in the year. The following is a summary of work performed by the Audit Committee during the year:

- i) review of the annual reports and results announcement for the year ended March 31, 2005, with a recommendation to the Board for approval;
- ii) review of the external auditor's independence and report, approve the auditor's remuneration and recommend to the Board for the re-appointment of the external auditors at the 2005 annual general meeting;
- iii) review the company's financial controls, internal control and risk management systems and discuss with the management;
- iv) review of the interim report and the interim results announcement for the six months ended September 30, 2005, with a recommendation to the Board for approval;
- v) review of transactions with the connected parties.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group and they are not aware of any events or conditions that may affect the Company's ability to continue as a going concern. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 15.

The Board is in the process of reviewing the effectiveness of the system of internal control of the Group. The Company's internal control systems review requirement under the code provision C.2.1 shall apply to the Company's 2006/07 annual report.

AUDITORS' REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. For the year ended March 31, 2006, the remuneration to the Auditors of the Company were approximately HK\$443,000 for audit services and HK\$31,500 for non-audit services comprising tax and consultancy services.

INVESTOR AND SHAREHOLDER RELATIONS

The Group responds to requests for information and queries from the investors. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. The Board welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management directly.