

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Recognising the importance of shareholders' transparency and accountability, the Directors of the Company (the "Board") believe that shareholders can enhance their benefits from good corporate governance.

Throughout the year ended 31 March 2006 under review (the "Year"), the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations as specified with considered reasons for such deviations as explained below under the paragraph headed "Board of Directors".

BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Company and its subsidiaries (the "Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board currently consists of four executive Directors and three independent non-executive Directors. Biographies of the Directors, and their respective roles in the Board and committees are set out on pages 4 and 5 respectively. The information is also available on the Company's website.

According to the Company's articles of association (the "Articles"), at every annual general meeting, one-third of the Directors (including non-executive Directors) for the time being, or if their number is not a multiple of three then the nearest number to but not exceeding one-third of the Directors shall retire from office. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment, and shall be eligible for re-election at that annual general meeting. Further, a managing director shall not, while he continues to hold the office, be subject to retirement by rotation, and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire.

Pursuant to the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To ensure stricter compliance with the CG Code, the Directors proposed to amend the Articles at the annual general meeting for the year of 2006 which: (a) specify if the number of Directors is not a multiple of three then the nearest number not less than one-third of the Directors shall retire from office; and (b) require the managing director of the Company shall be subject to retirement by rotation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of them meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. All independent non-executive Directors have been appointed for a term of three years upon their appointment, and are eligible for re-appointment and subject to the retirement and re-election provisions contained in the Articles.

The Deputy Chairman oversees the overall management and operations of the Company. Major responsibilities includes approving the Company's overall business, financial and technical strategies, approving budgets and major expenditures, supervising and scrutinizing the performance of management. The Deputy Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of Executive Directors and the Company Secretary, the Deputy Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Corporate Governance Report

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer who is delegated with the authority and responsible for running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives.

Currently, Mr. Wong Yu Lung, Charles ("Mr. Wong") assumes the roles of Deputy Chairman and Chief Executive Officer of the Company.

Pursuant to the CG Code, roles of chairman and chief executive officer should be separate. To ensure compliance with the CG Code, the Board is considering an appropriate appointment of a chairman of the Company.

The Board operates in accordance with the Articles. It meets from time to time according to the business requirement of the Company. During the Year, the Board held five regular meetings and met more frequently as and when required. Details of the Directors' attendance at the regular board meetings during the Year are set out on page 17 of this annual report. In order to make timely decision and have effective implementation of the Company's policy and decision, written resolutions signed by all Directors have been adopted from time to time.

The Board is supported by two Board committees, namely Remuneration Committee and Audit Committee. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of each committee are available on the Company's website.

At least 14 days' notice of a board meeting/committee meeting is given to all directors/committee members to provide them with an opportunity to attend and they are given an opportunity to include matters in the agenda for a board meeting/committee meeting. Agenda and accompanying board papers are sent in full to all Directors/committee members at least 3 days before the intended date of a Board meeting/committee meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors/committee members are unable to attend a meeting, they are advised the matters to be discussed and given an opportunity to make their views known to the Deputy Chairman/Chairman of the committee prior to the Board meeting/committee meeting.

Directors/committee members are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board/committee meetings. If a substantial shareholder or a Director has a conflict of interest in a manner to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a board meeting would be held. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

The Company Secretary is responsible for taking minutes of Board and committee meetings, which would be sent to directors within a reasonable time (generally within 7 days) after each meeting and be made available for inspection by Directors/committee members.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are followed and complied with, and advising the Board on compliance matters.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Corporate Governance Report

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Remuneration Committee meets at least once a year. Details of its composition are set out on page 3 of this annual report. The principal responsibilities of Remuneration Committee include, among others, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No Director and executive can determine his own remuneration. The terms of reference of the Remuneration Committee are posted on the Company's website.

During the Year, the Remuneration Committee held one meeting and reviewed the remuneration packages of the executive Directors and the overall remuneration policy of the Company. It also made recommendations to the Board regarding the above. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

The remuneration for the executive Directors comprises basic salary, discretionary bonus, pensions and share options. They are based on the skill, knowledge and involvement in the Company's affairs of each executive Director and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. Details of the amount of Directors' remuneration for the Year are set out in note 7 to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 28 to the financial statements of this annual report.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year with its primary duties to oversee the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls. All of its members are appointed from the independent non-executive Directors, with its Chairman having appropriate professional qualification and experience in financial matters. Details of its composition are set out on page 3 of this annual report. The terms of reference of the Audit Committee are posted on the Company's website.

During the Year, the Audit Committee met on four occasions, in addition to a number of informal discussions, in furtherance of its duties to review the truth and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles and the laws of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the Articles which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The Board appointed one additional Director in June 2005, namely Mr. Ding Chung Keung, Vincent as executive Director to the Board to meet the business needs of the Company.

Corporate Governance Report

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE

Name of Directors	Number of meetings attended/held while being a director/committee member		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Mr. Wong Yu Lung, Charles (Deputy Chairman and Chief Executive Officer)	3/5		
Mr. Lan Ning (Deputy Chief Executive Officer)	1/5		
Mr. Ding Chung Keung, Vincent (appointed on 1 June 2005)	3/4		
Mr. Kee Wah Sze	5/5		1/1
<i>Independent Non-Executive Directors</i>			
Mr. Ip Yin Wah (Chairman of both Audit Committee and Remuneration Committee)	5/5	4/4	1/1
Mr. Ma Ho Fai JP	5/5	4/4	1/1
Mr. Melvin Jitsumi Shiraki	1/5	0/4	
<i>Ex-directors</i>			
Mr. Ko Po Ming (retired at the annual general Meeting held on 1 September 2005)	1/2		
Ms. Loh Jiah Yee, Katherine (resigned on 1 June 2005)	1/1		
Mr. Zhang Xiao Shu (resigned on 1 June 2005)	0/1		

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the Year.

Corporate Governance Report

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions and continuing connected transactions, details of which are set out below:

- (1) On 18 April 2005, the Company, as the tenant, and Wah Link Investments Limited (“Wah Link”), as the landlord, whereby the Company agreed to lease the premises located at Unit 3901A, 39th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong as its office for a term of two years commencing from 24 April 2005 at a monthly rental of HK\$68,000 (exclusive of management fees, rate, government rent and operating expenses).

The landlord is beneficially owned by the spouse of Mr. Wong, the Deputy Chairman and Chief Executive Officer of the Company, and a close relative of Mr. Wong and is regarded as a connected person according to the Listing Rules. Details of which were announced on 19 April 2005.

- (2) On 17 May 2005, a lending bank agreed to provide NIG a loan facility of up to RMB148,977,000 (the “Facility”). NIG, a company mainly engaged in the development of the construction project of Nanjing International Center Phase I and Phase II (“Nanjing Project”), is indirectly owned as to approximately 16.7% by the Company, as to approximately 16.7% by Wah Link Real Estate Investments Limited (“Wah Link RE”) and as to approximately 66.6% by independent third parties not connected with the directors, chief executive and substantial shareholders of the Company respectively. In respect of the Facility, the Company, as covenantor, entered into an agreement to undertake with the lending bank (the “Funding Agreement”) that it will be responsible for ensuring 16.7% of funds required to meet any construction cost overrun and any other associated costs from time to time are made available to NIG for the completion of Phase I of the Nanjing Project (“Cost Overrun and/or Pre-completion Expenses”). If there arises any Cost Overrun/Pre-completion Expenses or there happen any event of default, the Company shall purchase such number of residential units in the North Tower of Phase I of the Nanjing Project at RMB5,000 per square metre such that the total purchase price shall cover a maximum of 16.7% of the Facility or if so required by the lending bank, arrange a refinancing facility. The Company also undertook to ensure a maximum of 16.7% of the Facility when monies standing to the credit of NIG’s bank account is less than the repayment amount when the Facility falls due (the “Relevant Amount”) by purchase such number of residential units in the North Tower of Phase I of the Nanjing Project at RMB5,000 per square metre such that the total purchase price shall cover a maximum of 16.7% of the difference between the repayment amount and the Relevant Amount or if so required by the lending bank, arrange a refinancing facility. In any event, the Company is only responsible for up to 16.7% of such sum due under the Facility. At the same time, Sino Dynasty Investments Limited (“Sino Dynasty”), a wholly-owned subsidiary of the Company, Wah Link RE and Ace Intelligent Consultants Limited (“Ace Intelligent”), an associated company of the Company, signed an agreement in relation to the distribution of an arrangement fee of US\$675,000 payable by NIG to Ace Intelligent for its service in procuring the Facility from the lending bank (the “Distribution Agreement”). Pursuant to the Distribution Agreement, Sino Dynasty was paid as to 16.7% of such amount.

Wah Link RE is a subsidiary of Wah Link and, pursuant to the Listing Rules, is regarded as a connected person of the Company, and NIG is a company in which both Wah Link RE and the Company have equity interests and Wah Link RE is entitled to control or exercise more than 10% of the voting power in its general meeting, the entering into the Funding Agreement and the Distribution Agreement constituted connected transactions of the Company. Details of the above were announced on 26 May 2005.

Corporate Governance Report

- (3) On 27 June 2005, Perfect Honour Limited (“Perfect Honour”), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Xie Xiao Qing (“Mr. Xie”) to acquire a further 11 ordinary shares in Rongzhong from Mr. Xie at a consideration of US\$11. In addition, Perfect Honour also agreed to advance not more than HK\$17 million to Rongzhong upon completion of the acquisition. As a result of such acquisition, Rongzhong became subsidiary of the Company.

Mr. Xie is a substantial shareholder of Rongzhong, pursuant to the Listing Rules, the acquisition of and the advance to Rongzhong constituted connected transactions. Details of which were announced on 6 July 2005.

- (4) On 25 January 2006, the Company agreed to provide Goldbond Capital an unsecured revolving facility in the amount of up to HK\$40,000,000 for a term of three years and an agreement has been entered between the parties.

Mr. Kee Wah Sze, a Director and a connected person of the Company, is indirectly beneficially interested in approximately 41.63% of GCHL. Pursuant to the Listing Rules, the transaction constituted continuing connected transaction of the Company and details of which were announced on 26 January 2006.

The above continuing connected transactions as stated in point no. 1 and 4 above had been reviewed by the independent non-executive Directors who had confirmed that they were entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms which are fair and reasonable so far as the shareholders of the Company were concerned; and
- (c) in accordance with the terms of the respective agreements.

The external auditors of the Company had also confirmed in writing that the continuing connected transaction as stated in point no. 1 and 4 above:

- (a) had been approved by the Board;
- (b) were entered into in accordance with the relevant agreement governing the respective transactions; and
- (c) the relevant amount of the respective continuing connected transaction did not exceed the limit as set out in the relevant announcement.

RELATED PARTY TRANSACTION

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Certain details of these transactions are set out in note 35 to the financial statements.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance and Accounting Department, 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 of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 31.

AUDITORS' REMUNERATION

The remuneration for the Year in respect of audit services paid to the Company's auditors amounted to HK\$1,028,000.

INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and the Company's assets. The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The management reviews the internal control system and evaluates its adequacy, effectiveness and compliance. It has reported to the Audit Committee from time to time during the Year, in conjunction with key findings identified by the external auditors, findings and actions or measures taken in addressing those internal controls. The Audit Committee in turn reports any material issues to the Board. The Board, also reviews plan and progress on continuous improvement work of the Company's internal control system on a periodic basis.