

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report is issued pursuant to Appendix 23 of the Listing Rules.

The Directors are pleased to report that throughout the year ended 31 March 2006, the Company was in substantial compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “Code”). In particular, the Company has ensured that:

- the appointment to and the composition and operation of the Board of Directors;
- the remuneration of Directors and senior management;
- accountability and audit;
- delegation by the Board; and
- communication with shareholders,

are in compliance with the Code.

The Board will continuously review the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct rules (the “Model Code”) regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code in the year ended 31 March 2006.

BOARD OF DIRECTORS

The board of Directors (the “Board”) comprises seven members, of which four members are executive Directors and three members are independent non-executive Directors. Biographical details of the Directors are set up on page 8 of this Annual Report.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of Group.

The Board meets regularly and additional meeting are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

The Chairman and Managing Director of the Company perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman is the father of the Managing Director. The Chairman is also the relative of the other two executive Directors, Mr. Lin Chick Kwan and Mr. Lin Wing Chau. Save and except for these relations, the Directors are not otherwise related to each other.

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DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Director	Board	Audit	Remuneration	Nomination
Mr. Cheng Chi Tai	3/3	N/A	N/A	N/A
Mr. Cheng Kwai Chun, John	3/3	2/2	1/1	0
Mr. Lin Chick Kwan	2/3	N/A	N/A	N/A
Mr. Lin Wing Chau	2/3	N/A	N/A	N/A
Ms. Ko Hay Yin, Karen	2/3	1/2	0/1	0
Mr. Chow Chan Lam	2/3	2/2	1/1	0
Ms. Ho Man Yee, Esther	1/3	2/2	1/1	0

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was formed on 23 March 2005. The terms of reference of the Nomination Committee include making recommendations for all appointment and re-appointment of Directors to the Board. It comprises of four members, three of whom are independent non-executive Directors. The members are:

Ms. Ko Hay Yin, Karen (*independent non-executive Director*)
 Mr. Chow Chan Lum (*independent non-executive Director*)
 Ms. Ho Man Yee, Esther (*independent non-executive Director*)
 Mr. Cheng Kwai Chun, John (*executive Director*)

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's performance, the Nomination Committee considers as a number of factors, including those set out in the Code.

In accordance with the Company's Bye-laws, one third of the Director will retire from office at the Company's annual general meeting. Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John will retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election. None of the independent non-executive Directors has served as Directors for more than nine years.

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Remuneration Committee

The Remuneration Committee was formed on 23 March 2005. The Remuneration Committee consists of a majority of independent non-executive Directors and its members are:

Ms. Ko Hay Yin, Karen (*independent non-executive Director*)
Mr. Chow Chan Lum (*independent non-executive Director*)
Ms. Ho Man Yee, Esther (*independent non-executive Director*)
Mr. Cheng Kwai Chun, John (*executive Director*)

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account of the performance of the Group as well as those individual Directors and key executives.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the financial statements of the Group.

Audit Committee

The Audit Committee was formed on 9 November 2001 to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises of three members, all of whom are independent non-executive Directors. The members are:

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31 March 2006.

The amount of audit fee for the year ended 31 March 2006 was HK\$415,000 (2005: HK\$638,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31 March 2006 was HK\$0 (2005: HK\$20,000).

The Audit Committee has recommended to the Board of Directors that Baker Tilly Hong Kong Limited, *Certified Public Accountants*, be nominated for re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

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INTERNAL CONTROLS

Management had implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

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.

SHAREHOLDERS' RIGHT

The Company is in regular and effective communication with shareholders. It strives for timeliness and transparency in its disclosures to the shareholders and the public.

Shareholders are given the opportunity to participate and vote in shareholders' meetings. According to Bye-law 58 of the Bye-Laws of the Company, shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company carrying the right of voting at general meeting of the Company shall have the right to require a special general meeting to be called by the Board.