

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (“Director(s)” or “Board”) has been working to maintain a solid and sound corporate governance framework suitable for the Company. The Company had complied throughout the financial year ended 31 March, 2006 with all the provisions of the Code on Corporate Governance Practices (the “Code”) as set out in the Listing Rules, except with the deviation from Code provisions A.2.1 and 4.1 in respect of the roles of chairman and chief executive officer to be performed by separate individual and the requirement that non-executive directors should be appointed for a specific term, which were further explained in the following relevant paragraphs.

AMENDMENTS TO BYE-LAWS OF THE COMPANY

The Board proposed the resolutions, which were passed in the last annual general meeting held on 21 September, 2005, to amend Bye-laws 87 and 45(a) to the effect that every Director shall be subject to retirement by rotation at least every three years and removal of the restriction to fix the record dates for payment of dividends or other distribution to shareholders of not more than 30 days before or after the date of declaration or payment respectively.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions under the Listing Rules as its own code of conduct regarding Directors’ and relevant employees’ securities trading. Having made specific enquiry to all the Directors of the Company, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of Directors currently comprises of five directors, two Executive Directors and three Independent Non-executive Directors. The biographies of the Directors are set out on page 3 of this report. All the Directors are highly qualified professionals with extensive experience either gained from banking, financial, business management or educational sectors, which are vital and valuable for the business of the Group.

The Directors are fully aware of their responsibilities under statute and common law, the Listing Rules and applicable legal requirement(s) as well as the conduct, business activity and development of the Group. Induction pack for newly appointed directors are prepared and they will be invited to an induction. No new director was appointed during the year.

The Board has not set up a nomination committee and the Board will assess the qualification, experience as well as the integrity of any potential candidate to be appointed as new director of the Company.

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The Company has received annual confirmation of independence from each of the Independent Non-executive Directors under the Listing Rules' requirements. The Board continues to consider each of them to be independent. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Board monitors the development and financial performance and sets strategic directions of the Group's business. Matters including material investment decisions, approving financial accounts, declaration of dividend, appointment of new directors are reserved to the Board. The management implements the Board's decisions, makes investment proposals and reports to the Board on the overall performance of the Group. Daily operations of the business are also delegated to the management.

During the year, four full Board meetings were held with the attendance of each Director set out as follows:–

Name of Director	Number of Board meetings attended	Attendance rate
Wong Ching Ping, Alex	4/4	100%
Lim Direk	1/4	25%
Chu Kar Wing	4/4	100%
Chow King Wai	2/4	50%
Tang Yiu Wing	1/4	25%
Wan Choi Ha (resigned on 14 March 2006)	3/4	75%

Board meeting procedures have been in place to ensure that at least 14 days' prior notice and agenda be given to all Directors and they are provided with an opportunity to include matters in the agenda for regular board meetings. Detailed and adequate Board papers are delivered to all Directors before the date of meeting to facilitate the meeting. Directors are free to raise any questions to the management before the meeting date and make objective decisions at the meeting. Draft and final versions of minutes are circulated to the Directors or Committee members for their comment and records respectively. Minutes of Board meetings and Committee meetings are kept by the Company Secretary and are available for the Directors' inspection. The Chairman and the Company Secretary have ensured that all Board meetings and Committee meetings are convened in accordance with the Bye-Laws of the Company.

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All Board members are entitled to have unrestricted access to the advice and services of the Company Secretary, and the Directors are entitled to, upon reasonable request and arranged through the Company Secretary, seek external professional advice at the cost of the Company. A detailed procedure of such arrangement will be adopted and approved by the Board of Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not appointed a chief executive officer. Mr. Wong Ching Ping, Alex, the Chairman of the Group, assisted by the Company Secretary, is responsible for managing the Board in respect of ensuring that proper meeting procedures are followed and dispatch of timely and adequate Board papers. He also works closely with another Executive Director, Mr. Lim Direk, supported by the experienced management team, to oversee the overall management of the Group's business. The current management organization functions well within the Group and the Board anticipates no immediate need to appoint a chief executive officer.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 requires non-executive directors be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company were not appointed for a specific term. However, bye-law 87 of the Bye-laws of the Company was amended on 21 September, 2005 so that one-third of the directors for the time being shall retire by rotation, provided every director shall be subject to retirement by rotation at least once every three years. As such, the term of the non-executive directors is deemed to be the period up to his retirement by rotation in accordance with the Bye-laws of the Company. The Board concluded that the appointment of Non-executive Directors without specific term but otherwise subject to retirement by rotation and re-election by shareholders was fair and reasonable, and did not intend to amend the terms of their appointment.

Pursuant to bye-law 86.2 of the Bye-laws of the Company, all directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment and shall then be eligible for election at that meeting.

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REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 15 July, 2005, comprises two Independent Non-executive Directors, Mr. Chu Kar Wing and Mr. Tang Yiu Wing and an Executive Director, Mr. Wong Ching Ping, Alex (Chairman of the remuneration committee).

The major roles and functions of the remuneration committee are as follows:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;
2. To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments and make recommendations to the Board of the remuneration of Non-executive Directors;
3. To review and approve the compensation payable to Executive Directors and key senior management officers in connection with any loss or termination of their office or appointment;
4. To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
5. To ensure that no Director is involved in deciding his own remuneration.

The remuneration committee will review the remuneration of each Director for the year ended 31 March, 2006.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility of overseeing the internal control and the preparation of accounts of each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors have selected suitable accounting policies and have applied them consistently, and adopted appropriate Hong Kong Financial Reporting Standards, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis in preparing the accounts for the year ended 31 March, 2006.

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AUDIT COMMITTEE

An audit committee of the Company was established on 22 September, 2004, comprises three Independent Non-executive Directors, Mr. Chu Kar Wing (Chairman of the audit committee), Dr. Chow King Wai and Mr. Tang Yiu Wing. All of them are professionals and the Chairman of the audit committee has attained the related financial management expertise as required under the Listing Rules.

Clear terms of reference, including the following major roles and functions, were resolved and adopted by the Company for the audit committee:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group;
2. To discuss with the external auditors the nature and scope of the audit;
3. To review the interim and annual financial statements before submission to the Board of Directors;
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss;
5. To review the external auditors' management letters and management's response;
6. To review the Group's internal control systems;
7. To consider the major findings of internal investigations and management's response.

The audit committee had held four meetings during the year with the attendance of each member is as follows:–

Audit committee member	Number of meetings attended	Attendance rate
Mr. Chu Kar Wing	4/4	100%
Dr. Chow King Wai	4/4	100%
Mr. Tang Yiu Wing	2/4	50%

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The audit committee has performed the following works during the year:

1. Reviewed the financial reports for the year ended 31 March, 2005 and for the six months ended 30 September, 2005;
2. Discussed with the external auditors and reviewed the audit plan for the financial years ended 31 March, 2004 and 2005; and
3. Discussed and reviewed with the auditors on the impact to the Group of the amendments to the accounting principles.

COMMUNICATION WITH SHAREHOLDERS

Ongoing dialogue with shareholders are maintained by convening annual general meeting and another general meeting of the Company. During the year, the Company had convened a general meeting on 25 November, 2005 in addition to the annual general meeting held on 21 September, 2005.

The Chairman has attended each of the aforesaid annual general meeting and general meeting of the Company and he explained at the commencement of the meetings the rights and procedures to demand voting by poll by the shareholders, which were also disclosed in the relevant circulars dispatched to the shareholders of the Company. Proxy forms, notices of meetings and relevant circulars were dispatched to the shareholders of the Company to encourage them to attend the meetings.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's auditors, CCIF CPA Limited, is set out as follows:–

	Fee paid/payable <i>HK\$'000</i>
Audit services	450
Non-audit services	–
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