

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March, 2006.

The Company acknowledges the important role of its Board in providing effective leadership and direction to Company business, and ensuring transparency and accountability of Company operations.

The Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") as promulgated by the Stock Exchange came into effect for accounting periods commencing on 1 January, 2005, save for the provisions on internal controls which came into effect for accounting periods commencing from 1 July, 2005 onwards. The Company recognizes the importance of good corporate governance as an essential component of the development of the Company and has, basing on the Principles and Code Provisions as set out in the CG Code, developed the Company's corporate governance practices. The Company has complied with most of the Code Provisions that are considered to be appropriate to the conduct and needs of the Company save for certain deviations from the Code Provisions details of which will be explained in the relevant paragraphs in this Report.

The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors take decisions objectively in the interests of the Company.

The Company has not formalized and adopted the written terms on the division of functions reserved to the Board and delegated to the management. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives and overall strategies, material transactions (in particular those may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of professional advisers, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

THE BOARD *(Continued)*

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

The Board comprises the following directors as at the date of this report:

Executive directors:

Dr. Suek Chai Kit, Christopher *(Chairman)*

Ms. Ng Wai Chi

Mr. Suek Chai Hong

Mr. Suek Ka Lun, Ernie

Non-executive director:

Mr. Suek Che Hin *(member of Audit Committee)*

Independent non-executive directors:

Mr. Tse Po Lau, Paul *(member of Audit Committee)*

Mr. Wong Sun Fat *(Chairman of Audit Committee)*

Mr. Chan Kwing Choi, Warren

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Executives Information" on page 7 of the Annual Report.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, formulating the procedure for nomination and appointment of directors and monitoring the appointment and succession planning of directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In applying the independence guidelines set out in the Listing Rules, Mr. Tse Po Lau, Paul, who holds dual capacity of independent non-executive director and the company secretary of the Company, was not considered as independent. As such, Mr. Tse will resign as secretary of the Company and will retire as director and will not seek for re-election at the 2006 annual general meeting. Since Mr. Tse did not meet the independence guidelines set out in the Listing Rules, the Company has only two independent non-executive directors and Audit Committee members. The Board is in the process of identifying a suitable replacement for the offices and will use its best endeavour to appoint a suitable candidate to fill the vacancy of independent non-executive director and Audit Committee member.

THE BOARD *(Continued)*

Save for the above, the Company considers the remaining independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment and Succession Planning of Directors

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 of the CG code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Although the directors are not appointed for a specific term, all directors save for the Chairman are subject to retirement by rotation. No new director was appointed to fill a casual vacancy or as an addition during the year.

The Company's Bye-laws is not compatible with Code Provision A.4.2 of the CG Code and provides that one-third of the directors for the time being (save for the Chairman/Managing Director), or if their number is not three nor a multiple of three, then the number nearest to but not greater than one-third, shall retire from office and be eligible, for re-election at annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

To conform with Code Provisions A.4.1 and A.4.2 of the CG Code, a special resolution will be proposed at the 2006 annual general meeting of the Company to amend, subject to the Statutes, the Company's Bye-laws so that all directors including Chairman and Managing Director will be subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after his/her appointment.

In accordance with the Company's Bye-laws, in addition to the retirement of Mr. Tse Po Lau, Paul, Mr. Wong Sun Fat shall also retire by rotation and being eligible, offer himself for re-election at the 2006 annual general meeting pursuant to Bye-law 87(1). Biographical details of the retiring director standing for re-election are contained in the Company's circular.

The Board recommended the re-appointment of the director standing for re-election at the 2006 annual general meeting of the Company.

THE BOARD *(Continued)*

Training for Directors

Code Provision A.5.1 of the CG Code stipulates that each newly appointed director shall receive comprehensive, formal and tailored induction on the first occasion of his/her appointment and subsequently such briefing and professional development as is necessary, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

No new directors has been appointed during the year ended 31 March, 2006. The directors have access to seek professional advice on legal and regulatory developments at the Company's expenses whenever feel necessary.

Remuneration of Directors

Though the Company has not set up a remuneration committee, the Board is responsible for reviewing the remuneration policy and packages of the directors and senior executives and made recommendations about their proposals to the Chairman which are determined by reference to the performance of the individuals, the Group, market practices and conditions with a view to retain and motivate executives to pursue the Group's operations. The Human Resources Department is responsible for collecting human resources data and recommending proposal to the Board for consideration.

Measures are being taken to set up a remuneration committee.

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Board met five times (two of which were regular board meetings) during the year ended 31 March, 2006.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 March, 2006 is set out below:

Name of Directors	Attendance/Number of Meetings	
	Board	Audit Committee
Executive Directors		
– Dr. Suek Chai Kit, Christopher (<i>Chairman</i>)	4/5	N/A
– Ms. Ng Wai Chi	2/5	N/A
– Mr. Suek Chai Hong	5/5	N/A
– Mr. Suek Ka Lun, Ernie	3/5	N/A
Non-Executive Director		
– Mr. Suek Che Hin (<i>member of Audit Committee</i>)	–/5	2/2
Independent Non-Executive Directors		
– Mr. Tse Po Lau, Paul (<i>member of Audit Committee</i>)	–/5	–/2
– Mr. Wong Sun Fat (<i>Chairman of Audit Committee</i>)	–/5	2/2
– Mr. Chan Kwing Choi, Warren	–/5	N/A

THE BOARD *(Continued)*

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by secretary of the meetings and open for inspection by the directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Dr. Suek Chai Kit, Christopher is the Chairman and founder of the Group and undertakes the responsibilities and duties of chief executive officer. With Dr. Suek's extensive experiences in the industry, and in view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board believes that it is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of roles of the Chairman and Chief Executive Officer, are necessary.

BOARD COMMITTEE

The Board has established the Audit Committee with defined written terms of reference which are available to shareholders upon request and steps are being taken to include the terms of reference on the Company's website.

The Audit Committee is provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

As mentioned earlier, Mr. Tse, who is a member of the Audit Committee, was not considered as independent. The Audit Committee has only a non-executive director and an independent non-executive director. The Board is in the process of identifying a suitable candidate to fill the vacancy of Audit Committee member who should be an independent non-executive director possessing the appropriate professional qualifications or accounting or related financial management expertise.

BOARD COMMITTEE *(Continued)*

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board;
- (b) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and associated procedures; and
- (c) To review the relationship with external auditors.

The Audit Committee held two meetings during the year ended 31 March, 2006 to review the Company's interim and annual financial results and reports, financial reporting and compliance procedures.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 March, 2006 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March, 2006.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March, 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Report of the Auditors" on page 20 of the Annual Report.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 March, 2006 amounted to HK\$1,100,000.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2005 annual general meeting and explained during the proceedings of the meeting. The detailed procedures for conducting a poll were also explained at the meeting. Poll results have been published in newspapers on the business day following the meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as a member of the Audit Committee attended the 2005 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2005 annual general meeting on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at the principal place of business in Hong Kong for any inquiries.