

It is the belief of the Board of Directors that corporate governance plays a vital part in maintaining the success of the Company. Various measures have been adopted to ensure that a high level of corporate governance is maintained throughout the operation of the Group.

The Company has complied with all the code provisions set out in Appendix 14 – Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the financial year ended 31st March, 2006, except for the deviations from Code Provisions C.2 on internal controls (which is only applicable to the accounting periods commencing on or after 1st July, 2005), A.2.1 and A.4.2.

THE BOARD

The Board schedules four meetings a year at approximately quarterly intervals. In addition, special Board meetings are held as necessary. During the financial year ended 31st March, 2006, the Board held six meetings. Details of the attendance of individual Directors are as follows:-

	Number of attendance	Attendance rate
(a) Executive Directors		
Mr. Chan Yue Kwong, Michael (<i>Chairman</i>)	6/6	100%
Mr. Lo Hoi Kwong, Sunny (<i>Managing Director</i>)	5/6	83.3%
Ms. Lo Pik Ling, Anita	6/6	100%
Mr. Lo Tak Shing, Peter	6/6	100%
(b) Non-executive Directors		
Mr. Lo Tang Seong, Victor	6/6	100%
Mr. Lo Hoi Chun	6/6	100%
Mr. Hui Tung Wah, Samuel	6/6	100%
(c) Independent Non-executive Directors		
Mr. Choi Ngai Min, Michael	5/6	83.3%
Mr. Li Kwok Sing, Aubrey	5/6	83.3%
Mr. Kwok Lam Kwong, Larry	6/6	100%



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Proposed regular Board meeting dates for a year are informed to each director at the beginning of the year. Formal notice of at least fourteen days will be given in respect of a regular meeting. For special Board meeting, reasonable notice will be given.

Directors are given opportunity to include matters in the agenda for regular Board meeting. Directors have access to the advice and service of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed.

Minutes of Board meeting and Board committees meeting are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any director. A written procedure agreed by the Board is established to enable directors, upon reasonable request, to seek independent professional advice.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

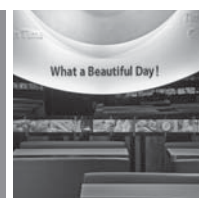
Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Yue Kwong, Michael assumes the roles of Chairman and Chief Executive Officer of the Group. The Board considers that, given the current corporate structure, there is no separation between the roles of Chairman and Chief Executive Officer. Although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and appropriate Board committees. There are three independent non-executive directors in the Board with sufficient independent element. Therefore, the Board is of the view that there are adequate impartiality and safeguards in place.

BOARD COMPOSITION

The composition of the Board is set out on page 34 under the paragraph headed “Directors” with category of executive, non-executive and independent non-executive directors.

Biographies, including relationships among members of the Board are shown on pages 18 to 21 under the section on “Biography of Directors and Senior Management”.



APPOINTMENTS, RE-ELECTION AND REMOVAL

Code Provision A.4.2 requires all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Prior to the amendment of the Company's Bye-laws at the last annual general meeting held on 22nd September, 2005, directors were not required to retire by rotation at least once every three years. Further, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting, and shall then be eligible for re-election. At the Annual General Meeting held on 22nd September, 2005, amendments to the Company's Bye-laws were approved by the Company's shareholders pursuant to which (i) any director who is appointed to fill a casual vacancy shall hold office until the next following general meeting; (ii) subject to the applicable laws in Bermuda, every Director should retire by rotation in such manner as required under the Listing Rules and other applicable rules and regulations. Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the executive Chairman and Managing Director of the Company, have waived their rights under the applicable laws in Bermuda and agreed to subject to retirement by rotation at the Company's 2006 annual general meeting.

All non-executive directors of the Company have been appointed for a term of 2-3 years subject to retirement by rotation as required by the Company's Bye-laws.

The Board established a Nomination Committee. The committee was chaired by Mr. Chan Yue Kwong, Michael with Mr. Lo Tak Shing, Peter, Mr. Lo Hoi Chun, Mr. Choi Ngai Min, Michael and Mr. Li Kwok Sing, Aubrey as members. The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendation to the Board regarding any proposed changes.

Proposal for the appointment of new Director, if any, will be considered and reviewed by the Nomination Committee. In addition to meeting the relevant standards set forth under the Listing Rules, the candidates to be selected are those who can add value to the Board through their contributions and expertise in the relevant strategic business areas and which appointments will result on the constitution of a strong and diverse Board.



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Following the recommendation made at the meeting of the Nomination Committee in relation to the appointment of Mr. Kwok Lam Kwong, Larry as the independent non-executive director of the Company, no subsequent meeting of Nomination Committee was held during the financial year ended 31st March, 2006. However, a further meeting was held in July, 2006 (with individual members attendance as set out below) to review the current size and composition of the Board, assess the independence of the independent non-executive directors and make recommendation on the re-election of Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Mr. Lo Tak Shing, Peter and Mr. Lo Tang Seong, Victor as Directors of the Company to be proposed for shareholders' approval at the 2006 Annual General Meeting.

	Number of attendance	Attendance rate
Mr. Chan Yue Kwong, Michael	1/1	100%
Mr. Lo Tak Shing, Peter	1/1	100%
Mr. Lo Hoi Chun	1/1	100%
Mr. Choi Ngai Min, Michael	1/1	100%
Mr. Li Kwok Sing, Aubrey	1/1	100%

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director, if any, is ensured to have a proper understanding on the operations and business of the Group and fully aware of his responsibilities under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing as is necessary to update the Board with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Code during the financial year ended 31st March, 2006.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda of the meeting and the accompanying board papers are sent in full to all Directors at least 3 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure that they have adequate information before the meeting for any ad hoc projects.



The Management has obligation to supply the Board and the committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by management, each director has separate and independent access to the Company's senior management for inquiry or additional information.

All directors are entitled to have access to board papers and related materials. Such materials are prepared to enable the Board to make informed decisions on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a Remuneration Committee which is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determine the specific remuneration packages of all executive directors and senior management of the Company.

The Remuneration Committee comprises Mr. Lo Tang Seong, Victor, Mr. Choi Ngai Min, Michael and Mr. Li Kwok Sing, Aubrey and is chaired by Mr. Lo Tang Seong, Victor.

During the financial year ended 31st March, 2006, one meeting of Remuneration Committee was held with attendance of individual members as set out below to consider the specific remuneration packages of each of Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the Chairman and Managing Director of the Group respectively.

	Number of attendance	Attendance rate
Mr. Lo Tang Seong, Victor	1/1	100%
Mr. Choi Ngai Min, Michael	1/1	100%
Mr. Li Kwok Sing, Aubrey	1/1	100%

FINANCIAL REPORTING

The Management has provided such explanation and information to the Board and will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibility to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

The Board is aware that their responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

A statement by the auditors about their reporting responsibilities is included in the Report of Auditors on page 111.



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AUDIT COMMITTEE

The Company established an Audit Committee which is primarily responsible for reviewing the financial information of the Company (including annual report and accounts and half-year report) and overseeing the financial reporting system and internal control procedures.

The Audit Committee comprises the three independent non-executive directors of the Company which is currently chaired by Mr. Kwok Lam Kwong, Larry and with Mr. Choi Ngai Min, Michael and Mr. Li Kwok Sing, Aubrey as the members.

During the financial year ended 31st March, 2006, two meetings of Audit Committee were held with individual members attendance as set out below to (i) discuss the general scope of audit work; (ii) review external auditors' management letter and management response; (iii) review the interim and annual reports before submission to the Board for approval; (iv) focus on the impact of changes in respect of the changes in accounting policies and practices and compliance with the accounting standards, Listing Rules and legal requirement in relation to the Company's interim and annual reports.

	Number of attendance	Attendance rate
Mr. Choi Ngai Min, Michael	2/2	100%
Mr. Li Kwok Sing, Aubrey	2/2	100%
Mr. Kwok Lam Kwong, Larry	2/2	100%

Full minutes of the Audit Committee are kept by the Company Secretary.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. PricewaterhouseCoopers, is set out as follows:-

Type of services	Fee paid/ payable <i>HK\$'000</i>
Audit services	2,550
Non-audit services	62
Total:	<u>2,612</u>



DELEGATION BY THE BOARD

The Board is primarily responsible for overall strategy and direction for the Group and overseeing the Group's businesses and providing leadership in strategic issues. The management is delegated to manage the day-to-day businesses of the Group.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decisions or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporation strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD COMMITTEE

The Board established certain Board committees with specific written terms of reference which deal clearly with the committee's authority and duties and require the committees to report back on their decisions or recommendations.

COMMUNICATION WITH SHAREHOLDERS

In respect of each separate issue at the general meeting held during the year ended 31st March, 2006, separate resolution has been proposed by the Chairman of that meeting. The Chairman of the Board, Audit Committee, Remuneration Committee and Nomination Committee attended the annual general meeting held on 22nd September, 2005 to answer questions, if any, at the meeting.

VOTING BY POLL

At the annual general meeting held on 22nd September, 2005, the Chairman demanded a poll on all resolutions. The procedure for demanding a poll by shareholders was incorporated in the relevant circular for the said annual general meeting. The Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, was engaged as scrutineer to ensure the votes were properly counted.