

Corporate Governance Report

Eagle Nice (International) Holdings Limited (the "Company") and its subsidiaries (together the "Group") is committed to maintaining a high level of corporate governance with an emphasis on the principles of transparency, accountability and independence.

The Company has, throughout the year ended 31 March 2006, complied with most of the applicable code provisions and principles under the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for certain deviations specified with considered reasons for such deviations as explained in this corporate governance report.

1. DIRECTORS

a. Composition and Board Meetings

During the year ended 31 March 2006, the board of the Company (the "Board") held seven meetings at approximately quarterly intervals according to the CG Code. The Board currently comprises eight executive directors and three independent non-executive directors ("INEDs"). The composition of the Board and the individual attendance of each director at board meetings are set out as follows:

Name of Director	Number of meetings attended/held
<i>Executive Directors</i>	
CHUNG YUK SING (Chairman)	7/7
CHUNG TUNG SAU	7/7
KUO TAI YU	7/7
TSANG SAU FAN	7/7
KU YU SUN, EDWARD	7/7
TSAI NAI KUN (Chief Executive Officer)	4/4 (Note 1)
LIN PIN HUANG, OTTO	4/4 (Note 1)
CHEN ZHEN HAO	4/4 (Note 1)
TSANG YUK NI	3/3 (Note 2)
<i>Non-Executive Director</i>	
ONG CHOR WEI	2/3 (Note 2)
<i>Independent Non-Executive Directors</i>	
CHAN CHEUK HO	7/7
LI CHI CHUNG	7/7
CHENG YUNG HUI, TONY	7/7

Notes:

- There were four board meetings held during the period from 14 October 2005 to 31 March 2006.
- There were three board meetings held during the period from 1 April 2005 to 14 October 2005.

At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Group has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Group considered all of the INEDs to be independent within the definition of the Listing Rules.

b. Delegation by the Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs. The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

c. Chairman and Chief Executive Officer

The Group segregates the role of the Chairman from the Chief Executive Officer. Mr. Chung Yuk Sing is the Chairman of the Company and Mr. Tsai Nai Kun is the Chief Executive Officer of the Company. There is no relationship other than business relationship between them. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Chief Executive Officer is responsible for the day-to-day management, policy making and corporate management functions as well as formulating strategies for the Group.

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1. DIRECTORS (continued)

d. Appointment, re-election and removal

A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All INEDs are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

A.4.2 of the CG Code also stipulates every director should be subject to retirement by rotation at least once every three years. According to the articles of association of the Company, at each annual general meeting, one-third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and the Chief Executive Officer of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. The Company will propose certain amendments to its articles of association at the forthcoming annual general meeting to the effect that, among others, all directors, including the Chairman of the Board and the Chief Executive Officer of the Company, shall be subject to retirement by rotation at least once every three years whether or not they are appointed for a specific term. The amendments shall also bring the articles of association of the Company up to date and in line with the requirements of the CG Code.

e. Directors' 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 as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they had complied with the Model Code throughout the year.

f. Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has an obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's management to acquire more information and to make further enquiries if necessary.

2. BOARD COMMITTEES

a. Remuneration Committee

The Remuneration Committee set up in October 2005 consists of one Executive Director, namely, Mr. Chung Yuk Sing and two INEDs, namely, Mr. Chan Cheuk Ho and Mr. Li Chi Chung. Mr. Chung Yuk Sing is the Chairman of the Remuneration Committee.

The terms of references of the Remuneration Committee follow with the CG Code. The Remuneration Committee is responsible for considering and approving the remuneration plans and policies for all executive directors of the Company and the management of the Group by reference to the Company's operation results, individual performance and prevailing market rate. The committee meets at least once a year. During the year under review, one committee meeting was held with an attendance rate of 100% to review the remuneration packages of both the executive and non-executive directors of the Company.

b. Audit Committee

The Audit Committee established in August 2003 currently comprises all three INEDs and is chaired by Mr. Chan Cheuk Ho who possesses recognised professional qualifications in accounting and has rich experience in audit and finance. The terms of reference of the Audit Committee follow with the CG Code.

The Audit Committee's principal duties include reviewing the nature and scope of the statutory audits, interim and annual accounts of the Group, and the adequacy and effectiveness of the accounting and financial controls of the Group. The Audit Committee meets at least twice every year and additional meetings may be convened by the Chairman of the Audit Committee as and when necessary.

During the year ended 31 March 2006, the Audit Committee met twice with an attendance rate of 100% to review the accounting principles and practices adopted by the Group and to discuss internal controls and financial reporting matters including the review of 2005 annual results and 2006 interim results of the Group. Each member of the Audit Committee has unrestricted access to the Group's auditors and the management.

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2. BOARD COMMITTEES *(continued)*

c. Nomination Committee

The Company has not established a nomination committee as the duties and functions of the Nomination Committee recommended in the CG Code are performed by the Board collectively with no director being involved in fixing his own terms of appointment and no INED being involved in assessing his own independence.

3. ACCOUNTABILITY AND AUDIT

a. Financial Reporting

The directors acknowledge their responsibilities to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the accounts on a going concern basis.

The reporting responsibilities of the Company's auditors, Messrs. Ernst & Young, are set out in the Auditors' Report on page 25 of the annual report.

b. Internal Controls

The Board is responsible for the Group's internal control system and reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system.

c. Auditors' Remuneration

During the year under review, the fees charged by the Group's external auditors, Messrs. Ernst & Young, are set out as follows:

Services rendered	Fee paid/payable <i>HK\$</i>
Audit services	1,030,000
Non-audit services	115,000
	<hr style="border-top: 1px solid black;"/>
	1,145,000
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On behalf of the Board

Chung Yuk Sing

Chairman

Hong Kong, 18 July 2006