

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31st March 2006, except for the requirement that (i) the role of chairman and chief executive officer should be separate and should not be performed by the same individual and (ii) the independent non-executive directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. The Company continues to improve its corporate governance and believes that good corporate governance will bring long-term benefits to its shareholders.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company (the “Directors”) have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st March 2006.

BOARD OF DIRECTORS

Composition and role

The board of directors (the “Board”) of the Company comprises:

Executive Directors:	Leung Man Kit (appointed on 2nd June 2006) Yu Tat Chi, Michael Williamson Lam (appointed on 24th May 2005 and resigned on 2nd June 2006) Mak Wai Fong (resigned on 24th May 2005)
Independent Non-Executive Directors:	Tang Ping Sum Chan Cheong Yee Lo Kwok Chee, Johnny (appointed on 19th April 2005) Lok Shing Kwan, Sunny (resigned on 20th April 2005)

There is no relationship between members of the Board.

The key responsibilities of the Board include the formulation of the Group’s overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations.

The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner which the affairs of the Company are managed, controlled and operated.

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The Board comprises of two Executive Directors and three Independent Non-Executive Directors. The biographical details of all Directors are presented on page 6 of this annual report. All Directors are subject to retirement by rotation and re-election at the forthcoming annual general meeting of the Company to be held on 28th August 2006 ("Forthcoming Annual General Meeting").

Out of three Independent Non-Executive Directors, Mr. Tang Ping Sum possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has two principle board committees, namely the audit committee and the remuneration committee. The audit committee of the Company (the "Audit Committee") comprises solely of three Independent Non-Executive Directors. The remuneration committee comprises of one Executive Director and two Independent Non-Executive Directors. The Independent Non-Executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the Independent Non-Executive Director an annual confirmation of independence and the Company considers that all of the Independent Non-Executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the annual general meeting held on 8th September, 2005, board meeting and committee meetings held as of 31st March 2006 are set out in the following table:

Directors	Board	Meetings Attended/Held		AGM
		Audit Committee	Remuneration Committee	
<i>Executive Directors</i>				
Yu Tat Chi, Michael	27/27	–	1/1	1/1
Williamson Lam*	25/27	–	1/1	1/1
Mak Wai Fong [#]	2/27	–	–	–
<i>Independent Non-Executive Directors</i>				
Tang Ping Sum	7/27	2/2	1/1	1/1
Chan Cheong Yee	7/27	2/2	1/1	1/1
Lo Kwok Chee, Johnny	6/27	2/2	1/1	1/1
Lo Shing Kwan, Sunny ^Δ	1/27	–	–	–

* Resigned as the Executive Director with effect from 2nd June 2006.

[#] Resigned as the Executive Director with effect from 24th May 2005.

^Δ Resigned as the Independent Non-Executive Director with effect from 20th April 2005.

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Chairman and Chief Executive Officer

Under the Code Provision A.2.1 the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “CEO” at present. Mr. Leung Man Kit is the Executive Director of the company and has carried out the responsibilities of CEO. Mr. Yu Tat Chi, Michael is also an Executive Director of the Company and has carried out the responsibilities of Chief Financial Officer and Company Secretary. The Directors believe that this board structure can ensure effective flow of information and the business strategies can be fully implemented. The Directors intended to maintain this structure for the time being as it believes that the existing structure enables the board to carry out its responsibilities in an economical, efficient and effective manner without any imbalance of power and authority between the Directors and management of the Company.

Re-election of Directors

Under the Code Provision A.4.1, non-executive directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all the independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company's Articles of Association. 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 in the Code.

Audit Committee

The Audit Committee of the Company was established since 1999 and is currently comprised solely of Independent Non-Executive Directors, namely, Mr. Tang Ping Sum, Mr. Chan Cheong Yee and Mr. Lo Kwok Chee, Johnny. All members of the Audit Committee have number of years of accounting, finance and commercial management experience and expertise. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the interim report for the six months ended 30th September 2005, consolidated financial statements for the year ended 31st March 2006 and the reports from ShineWing (HK) CPA Limited.

On 25th July 2006, the members of the Audit Committee met with ShineWing (HK) CPA Limited, the auditors of the Company, who presented the implications of those new accounting standards enforceable in this and subsequent financial years. During the year, the Auditors rendered no non-audit services to the Group and the Group also did not incur any non-audit service fees.

The Group's audited financial statements as of 31st March 2006 had been duly reviewed by the Audit Committee with management and the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of ShineWing (HK) CPA Limited and therefore recommends the Board that ShineWing (HK) CPA Limited be re-appointed as our auditors in the Forthcoming Annual General Meeting.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparations of the consolidated financial statements of the Company as of 31st March 2006, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

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Remuneration Committee

The Company established the Remuneration Committee on 20th December 2005, which is comprised of one Executive Director and two Independent Non-Executive Directors, currently being Mr. Leung Man Kit, Mr. Tang Ping Sum and Mr. Chan Cheong Yee respectively.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the senior management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the Remuneration Committee. Compensation payable to Executive Directors relating to removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the Shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the management of the Company and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the consolidated financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the consolidated accounts for the year ended 31st March 2006, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

SHAREHOLDER RELATIONS

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting shall serve as a communication channel between Directors and Shareholders. In the Forthcoming Annual General Meeting, the Directors and members of the committees will be present to answer any queries that Shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual Directors.

The notice of the Forthcoming Annual General Meeting shall be sent to all shareholders at least 21 days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of annual general meeting and the circular contain such detail information will be issued to the Shareholders in due course.