

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices of the Company are crucial to the smooth and effective operation of the Group and safeguarding the interests of the shareholders. The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st March, 2006, except for certain deviations as explained below.

### BOARD OF DIRECTORS

The Board currently comprises five Executive Directors and three Independent Non-Executive Directors. The brief biographic details of the directors is set out in the Directors and Senior Management Profiles on pages 7 to 8 of this Annual Report. The Board has established two Board Committees, namely Audit Committee and Remuneration Committee. The Board meets regularly to discuss on overall strategy and review the financial and operating performance of the Group. Attendance of the Board Meetings and the meetings of the Board Committees for the year ended 31st March, 2006 is set out below:

	No. of meetings attended/held		
	Board Meeting	Audit Committee	Remuneration Committee
<b>Executives Directors</b>			
Chan Oi Ling, Maria Olimpia ( <i>Chairperson</i> )	4/4	–	–
Lam Yu Ho, Daniel ( <i>Managing Director</i> )	4/4	–	–
Cheng Lok Hing	4/4	–	–
Cheng Chun Kit	4/4	–	–
Ji Hong	4/4	–	–
<b>Independent Non-Executive Directors ("INEDs")</b>			
Wong Yui Leung, Larry	2/4	2/2	1/1
Lui Wai Shan, Wilson	2/4	2/2	1/1
Cheung Ngai Lam	2/4	2/2	1/1

The Board determines the overall strategies, monitors and controls operating and financial performance, analyse and formulate strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

The Company confirmed it has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers them to be independent.

## CORPORATE GOVERNANCE REPORT

### CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 provides that the roles of Chairperson and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of CEO, and it deviates from the Code. Ms. Chan Oi Ling, Maria Olimpia is the Chairperson and has also carried out the responsibilities of CEO. Ms. Chan possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company’s strategies.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board currently has three INEDs. Two of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

Code Provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The INEDs of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the terms of appointment of the directors, including INEDs, cannot exceed three years.

Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under the Bye-laws of the Company then in effect prior to 25th August, 2005, the Chairperson of the Board and the Managing Director of the Company are not subject to retirement by rotation. To comply with code provision A.4.2, relevant amendment to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 25th August, 2005.

### REMUNERATION COMMITTEE

The Remuneration Committee is principally responsible for formulating the Group’s policy and structure for all remunerations of the directors and senior management and providing advice and recommendations to the Board of the Company. The Remuneration Committee comprises three INEDs, namely Mr. Wong Yui Leung, Larry (Chairman of Remuneration Committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.

During the year ended 31st March, 2006, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration policies and the salary packages of the Executive Directors. The Remuneration Committee ensures that no director is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code.

### AUDIT COMMITTEE

The Audit Committee is principally responsible for reviewing and supervising the Group’s financial reporting process and internal control system and providing advice and recommendations to the Board of the Company. The Audit Committee comprises three INEDs, namely Mr. Wong Yui Leung, Larry (Chairman of Audit Committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.

During the year ended 31st March, 2006, the Audit Committee held two meetings. The Audit Committee has, among other things, reviewed the financial statements of the Group for the year ended 31st March, 2005 and for the six months ended 30th September, 2005, and recommended such financial statements to the Board for approval. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code.

## CORPORATE GOVERNANCE REPORT

### NOMINATION OF DIRECTORS

The Board has not set up a nomination committee for the appointment of directors.

In accordance with Company's Bye-laws, the Board is empowered at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director so appointed shall retire and be eligible for re-election at the next following annual general meeting. The criteria for selecting a director are mainly based on the candidate's quality which includes, but not limited to, his/ her qualification, experience, professional knowledge, ethics and integrity. During the year ended 31st March, 2006, no new director was appointed either to fill a casual vacancy or as an addition to the Board.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

### AUDITORS' REMUNERATION

For the year ended 31st March, 2006, the remuneration paid/payable to Deloitte Touche Tohmatsu for audit services and taxation services rendered to the Group amounted to approximately HK\$950,000 and HK\$65,000 respectively.

### FINANCIAL REPORTING

The Board acknowledges that they are responsible for the preparation of the Company's accounts which give a true and fair view of the financial position of the Company as of 31st March, 2006 and of the results of its operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and for ensuring that appropriate accounting policies are selected and applied consistently.

The reporting responsibilities of the external auditors, Deloitte Touche Tohmatsu, are set out in the Auditors' Report on page 16.

### INTERNAL CONTROLS

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. During the year ended 31st March, 2006, the Board has reviewed the effectiveness of the existing system of internal control with a view to safeguard the investment of the Company's shareholders and the Group's assets.