

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the “Board”) believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders’ value.

The Board considers that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2006, except that (i) the Independent Non-Executive Directors are not appointed for a specific term; (ii) the Chairman has not retired by rotation every three years; and (iii) the Company has not set up a remuneration committee.

Further information on the Company’s compliance and its plan to ensure compliance of the CG Code are set out below.

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 code of conduct regarding Directors’ securities transaction. Having made specific enquiry with all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code throughout the year ended 31 March 2006.

THE BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for overseeing the management of the Company’s business and affairs with the objective of enhancing shareholders’ value including setting and approving the Company’s strategic direction and planning and all other important matters such as interim and annual results, dividends, annual financial budget, business and operation plan etc., while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board’s affairs and ensures that the Board acts in the best interests of the Company and its shareholders as a whole.

The Board currently comprises a total of 6 Directors, including 4 Executive Directors and 2 Independent Non-Executive Directors. The Company had 3 Independent Non-Executive Directors during the year ended 31 March 2006 but 1 of them passed away on 3 June 2006. The Company is looking for a suitable candidate and will fill the vacancy as soon as practicable. The biographies of the current Directors are set out on pages 13 to 14 of this annual report.

All Directors are kept abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the Directors’ knowledge and skills. The Group continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements so as to enhance their awareness of regulatory compliance and good corporate governance practices.

Every Director is aware that he should give sufficient time and attention to the affairs of the Group. The Directors have satisfactory attendance rates at both board meetings and committee meetings, including Audit Committee meetings.

Corporate Governance Report

THE BOARD COMPOSITION AND BOARD PRACTICES (Continued)

Full board meeting are held formally at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

During the year, the Board had held 4 full board meetings. Attendance of individual Director is as follows:

	Attendance
<i>Executive Directors</i>	
– Mr. Wong Kin Wah, George (<i>Chairman</i>)	4/4
– Mr. Hwang Yiu Hwang, Victor	4/4
– Mr. Hwang Yiu Hwang, Richard	4/4
– Mr. Hwang Teh Hwang, Tony	3/4
<i>Independent Non-Executive Directors</i>	
– Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	2/4
– Mr. Lam Kin Ming, Lawrence	4/4
– Mr. Ma Chi Man (Passed away on 3 June 2006)	2/4

Save that the 4 Executive Directors are brothers of one another, none of the Directors has any relationship with the others.

The Company has received annual confirmation of independence from the two Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

At the meeting, the Directors discussed and formulated overall strategies for the Group, monitor financial performance, discuss the annual and interim results, as well as consider other significant matters.

At least 14 days notice of the board meetings is given to all Directors, and all Directors are given an opportunity to include matters for discussion in the agenda.

An agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a full Board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with boards papers and related materials assists the Chairman in preparing the agenda for meetings and ensures that Board procedures and all applicable rules and regulations are followed.

The Audit Committee and Remuneration Committee also follow the applicable practices and procedures used in board meetings for committee meetings.

The Company Secretary keeps detailed minutes of each meeting, which are available to all Directors. A draft of the minutes is circulated to all Directors for comment and approval as soon as practicable after the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has appointed a Chairman, Mr. Wong Kin Wah, George, who ensures that the Board works effectively and that all important issues are discussed in a timely manner. The positions of the Chairman and Chief Executive Officer are held by separate individuals as to maintain an effective segregation of duties. None of the Directors is related to the Chief Executive Officer.

The Chief Executive Officer, Mr. Sin Kit Leung Peter, is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the Executive Directors and senior management, at which operational issues and financial performance are evaluated.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director appointments.

In accordance with the Articles, all Directors (except the Chairman and/or Managing Director) are subject to retirement by rotation and re-election at annual general meeting of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of Directors (excluding the Chairman and/or Managing Director), or, if their number is not a multiple of three, the number nearest to but not exceeding one-third are required to retire from office.

The Independent Non-Executive Directors were not appointed for a specific term but subject to retirement by rotation at each annual general meetings of the Company in accordance with the Articles.

The existing Articles governing the retirement of Directors deviate from the CG Code provisions in the following aspects: (i) unlike other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; and (ii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years.

Other than the Chairman, all other Directors have complied with the rotation requirements under the CG Code.

To address the deviations disclosed above, the Board has proposed to the shareholders of the Company at the coming annual general meeting to be convened and held on 25 August 2006 to pass a special resolution amending the Articles to bring them in compliance with the CG Code, and all Directors (including the Chairman) who have been appointed for more than 3 years will retire and comply with the rotation requirements under the CG Code.

REMUNERATION OF DIRECTORS

In the year ended 31 March 2006, the Board had not set up a Remuneration Committee even though it has adopted staff (including Directors) remuneration policies as set out at page 17 of this annual report. In compliance with the CG Code, the Board has on 9 June 2006 established a Remuneration Committee, chaired by Mr. George Wong Kin Wah, Executive Director with committee members of Mr. Ambrose Lau Hon Chuen G.B.S., J.P. and Mr. Lawrence Lam Kin Ming, both of whom are Independent Non-Executive Directors.

The principal responsibilities of Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the Senior Management. The objective of the remuneration policy is to ensure that the Group is able to attract, retain, and motivate a high calibre team which is essential to the success of the Group. Details of the Group's emolument policy as set out on page 17 of this annual report.

As the Committee was established on 9 June 2006, no meeting was convened by the Remuneration Committee during the year ended 31 March 2006. Starting from the fiscal year 2006/07, the Remuneration Committee will meet at least once a year.

The functions specified in paragraphs B1.3 (a) to (f) of the CG Code had been included in the terms of reference of the Remuneration Committee, which also explain the role and the authority delegated by the Board.

AUDIT COMMITTEE

The Audit Committee had during the year ended 31 March 2006 three members but following the death of one member, it currently comprises of two members, all of whom are Independent Non-Executive Directors and not involved in the day-to-day management of the Company. In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised on 16 December 2005 in compliance with the provisions set out in the CG Code. The terms of reference are available on the website of the Company.

The Audit Committee is responsible for the following:

- making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointment;
- developing and implementing policies on the engagement of external auditors for non-audit services;
- monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Group's financial position;
- Ensuring that management has fulfilled its duty to maintain an effective internal control system.

AUDIT COMMITTEE (Continued)

During the year, the Audit Committee had held 1 meeting with external auditors to discuss any areas of concerns during the audits and approve the audited financial statements and 1 meeting to approve the interim financial statements. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards. Attendance of individual member is as follows:

	Attendance
<i>Committee member</i>	
Mr. Ambrose Lau Hon Chuen, GBS., J.P. (<i>Chairman</i>)	2/2
Mr. Lawrence Lam Kin Ming	2/2
Mr. Ma Chi Man (Passed away on 3 June 2006)	0/2

FINANCIAL REPORTING

The Board, supported by the accounts department, is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards have been adopted and the financial statements comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The reporting responsibilities of Directors and external auditors are further set out in the Report of the Auditors on page 19.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

AUDITORS' REMUNERATION

During fiscal year 2005/06, fees paid to Deloitte Touche Tohmatsu ("Deloitte") and other auditors of subsidiary companies for taxation service were HK\$14,240 and HK\$0 respectively. Fees payable for audit and audit related services to Deloitte and other auditors were HK\$736,000 and HK\$13,045 respectively.

COMMUNICATION WITH SHAREHOLDERS

The Company encourages two-way communications with its shareholders. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company. The annual general meeting provides a forum for direct communication between the Board and the Company's shareholders. The Company maintains regular communication with media to disseminate financial and other information relating to the Group and its business to the public in order to foster effective communication.

On behalf of the Board

Wong Kin Wah, George
Chairman

Hong Kong, 14 July 2006