

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the year with those paragraphs of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BOARD OF DIRECTORS

As of the date of this annual report, the Board of Directors of the Company comprises five Executive Directors, namely Ms Yau Shum Tek, Cindy (Chairman), Mr Kwong Wai Tim, William (Managing Director), Mr Lai Ming Wai, Ms Kwok Wai Ming and Ms Au Shuk Yee, Sue, and four Independent Non-executive Directors, namely Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas.

The offices of Chairman and Managing Director of the Company had been segregated by different individuals, Ms Yau Shum Tek, Cindy and Mr Kwong Wai Tim, William respectively, since September 2005. Ms Yau Shum Tek, Cindy and Mr Kwong Wai Tim, William are not related to each other in financial, business or family aspects. In July 2005, the Board of Directors reviewed, discussed and approved the respective written term of reference (“Terms of Reference”) in order to divide the respective responsibilities of the Chairman and the Managing Director. The Chairman is responsible for determining the Group’s objectives, strategies, policies and business plans whereas the Managing Director is responsible for the running the Company’s business, making day-to-day decisions concerning business operation and the implementation of the approved strategies in achieving the overall commercial objectives.

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. Hence, the Company enquired all the Directors individually whether they had complied with the Appendix 10 while trading the securities of the Company during the financial year, and all Directors had complied with the Appendix 10 during the year.

The Company had complied with the requirements of the Listing Rules to appoint several Independent Non-executive Directors during the financial year, namely Mr Lam Ping Cheung, Mr Kwong Kai Sing, Benny, Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas, provided that each of them is subject to retire by rotation and re-election, if eligible, under the Articles of Association of the Company. The Company had received a letter from each of the Independent Non-executive Directors confirming their independency had been complied with the Rule 3.13 of the Listing Rules. As such, the Company also confirmed all Independent Non-executive Directors are independent. The Directors of the Company are unrelated to each other in every aspect, including financial, business or family.

The Company has in place established Board process. Regular full board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package will be sent to Directors within reasonable and practical time prior to a regular Board meeting in order to facilitate the Directors informed discussion and decision-making. Each Director may request inclusion of matters in the agenda for Board meetings.

CORPORATE GOVERNANCE REPORT (cont'd)

The Company Secretary is responsible for taking minutes of the Board meetings and keeping the minute books and will be opened for inspection by the Directors upon request. All Directors have access to the advices and services of the Company Secretary, who is responsible to the Board.

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. In the nomination process, the Board of Directors makes reference to criteria including, inter alia, accomplishment and experience in the industry, professional and educational background and commitment in respect of available time and relevant interest. During the year, the Board has determined the policy for the nomination of Directors and assessed the independence of Non-executive Directors.

Those Directors appointed by the Board during the year shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The process for re-election of a director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being are required to retire by rotation at each annual general meeting and are eligible to stand for re-election. The annual report and the circular for annual general meeting contain detailed information on election of Directors including detailed biography of all Directors standing for re-election to ensure shareholders to make an informed decision on their election.

The attendance records of individual Directors during the financial year are set out below:

Number of meetings held:	Annual General Meeting		Extraordinary General Meeting		Directors' Meeting	
	1		3		18	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
Directors						
Yau Shum Tek, Cindy	1	1	3	3	18	17
Kwong Wai Tim, William	1	1	3	3	18	17
Lai Ming Wai	1	1	3	3	18	18
Kwok Wai Ming	N/A	N/A	1	1	5	4
Kwong Kai Sing, Benny	1	1	2	2	14	4
Lam Ping Cheung	1	0	3	0	18	3
Lo Ming Chi, Charles	1	0	3	0	18	3
Chiu Siu Po	N/A	N/A	1	0	4	0
Hui Wai Man, Shirley	N/A	N/A	1	1	3	0
Gary Drew Douglas	N/A	N/A	1	0	3	0

CORPORATE GOVERNANCE REPORT (cont'd)

AUDIT COMMITTEE

During the financial year, the Audit Committee of the Company comprises Mr Lam Ping Cheung, Mr Kwong Kai Sing, Benny, Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas, the Independent Non-executive Directors.

During the financial year, the Audit Committee met two times, and the meetings were attended by external auditors and the Company Secretary for the purpose of assessing and reviewing the internal control, the financial statements and corporate governance and so on.

The Audit Committee had reviewed, discussed and approved the financial statements for the year ended 31st March 2006.

The attendance records of the meetings of individual Audit Committee Members during the financial year are set out below:

Number of meeting: 2

	Number of meetings eligible to attend	Number of meetings attended
Lam Ping Cheung	2	2
Kwong Kai Sing, Benny	2	2
Lo Ming Chi, Charles	2	2
Chiu Siu Po	N/A	N/A
Hui Wai Man, Shirley	N/A	N/A
Gary Drew Douglas	N/A	N/A

REMUNERATION COMMITTEE

The Board of Directors of the Company had approved the establishment of Remuneration Committee during the financial year, and also reviewed, discussed and approved the written Terms of Reference. During the financial year, the Remuneration Committee comprised Mr Lai Ming Wai, the Executive Director, Mr Lam Ping Cheung and Mr Lo Ming Chi Charles, the Independent Non-executive Directors. The major roles and functions of the Remuneration Committee are to formulate remuneration policy and to determine the remuneration of the Directors and senior management. A meeting had been convened to review Terms of Reference of the Remuneration Committee and other matters upon its establishment.

CORPORATE GOVERNANCE REPORT (cont'd)

The attendance record of the meeting of individual Remuneration Committee Members are set out below:

Number of meeting: 1

	Number of meetings eligible to attend	Number of meetings attended
Lai Ming Wai	1	1
Lam Ping Cheung	1	1
Lo Ming Chi, Charles	1	1

In devising remuneration proposals of Directors, the Remuneration Committee has access to professional advice when necessary. During the year, no Director was involved in deciding his/her remuneration.

The Directors' fees and any other reimbursement or emolument payable to a Director during the year are disclosed in the Company's financial statements.

INTERNAL CONTROL

The Company has gradually establishing, maintaining and operating an effective system of internal control, which has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Company considers the present internal control procedures to the compliance to the Listing Rules is sufficient, but the Company will review, revise and strengthen the internal control procedures from time to time, so as to meet the requirements of internal management and the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31st March 2006, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of Hong Kong Financial Reporting Standards and made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern.

The Company has announced its annual and interim results in a timely manner within the limits of 4 months and 3 months respectively after the end of the relevant period, as laid down in the Listing Rules.

CORPORATE GOVERNANCE REPORT (cont'd)

SHAREHOLDERS' RIGHTS

Separate resolutions are proposed at general meetings on each substantially separate issue. The Company provides sufficient and enough time for the shareholders attending any general meetings of the Company to raise questions to the Directors and the Shareholders may demand a poll in respect of the resolutions to be put to at any general meeting in accordance with the following Article 76 of the Articles of Association of the Company:

- (i) by the Chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

INVESTORS' RELATIONSHIP

The Company did not amend its Memorandum and Articles of Association during the financial year.

As of 31st March 2006, the authorized share capital of the Company was 10,000,000,000 shares at HK\$0.20 each, the issued share capital was 677,056,202 shares and the market capitalization was about HK\$145,000,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Directors confirmed that the Company has maintained the public float of at least 25% of the Company's issued share capital as required under the Listing Rules throughout the year ended 31st March 2006.