

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise on a quality board of Directors (the “Board”), sound internal control, transparency and accountability to all shareholders of the Company.

For the year ended 31 March 2006, the Company has applied the principles of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Ltd. (the “Listing Rules”). The shares of the Company were listed on the Stock Exchange on 6 June 2006 and the Company has complied with the CG Code, save for the deviation from code provision A.2.1 of the CG Code.

This report describes the Group’s corporate governance practices and explains the said deviation from the CG Code.

Board Composition and Practices

The Board is responsible for promoting the success of the Company by providing leadership, supervision and control of the Group’s business.

The Board comprises of six Directors, the Chairman of the Board, two Executive Directors and three Independent Non-executive Directors. The Board, led by the Chairman, is collectively responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of the Group and overseeing the management of the Company. The Chairman ensures the Board to work effectively and discharges its responsibilities. All Directors (including Independent Non-executive Directors) have been consulted on all major and material matters of the Company. With the support of the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Board is of the view that due to the scale of its operation, it is not necessary to appoint a Chief Executive Officer and the Board has delegated the authority and responsibility for the management of the daily operations of the Group to management, department heads and various committees.

The Board comprises of:

Executive Directors

Ms. Choi Hon Hing (Chairman)

Ms. Fung Wing Ki, Vicky

Ms. Fung Wing Yee, Wynne

Independent Non-executive Directors

Mr. Tam Hok Lam, Tommy, J.P.

Dr. Hui Ka Wah, Ronnie

Mr. Leung Man Chun, Paul

The Board conducts regular meeting on a quarterly basis, Ad-hoc meetings are convened when circumstances require.

As the whole Board participates in the appointment of new directors, the Company does not establish a nomination committee.

Under the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The number of Independent Non-executive Directors has met the requirements of the Listing Rules and represented more than one-third of the total Board members. Further, more than one of them has appropriate professional qualifications in accounting or related financial management expertise.

Each of the Independent Non-executive Directors has been appointed by the Company for a term of three years starting from 30 March 2006.

Each of the Independent Non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet with the guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on pages 5 to 6 of this annual report.

Pursuant to the Articles of Association of the Company, one third of the directors will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement at least once every three years and this complies with the code provision A.4.2 of the CG Code.

The Company Secretary keeps the Board Minutes of the Company for inspection by the Directors. The Board has arranged appropriate insurance cover for the directors and officers of the Group to protect them from the risk exposure arising from the business of the Group.

Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not separate the roles of the chairman and chief executive officer.

Ms. Choi Hon Hing, the Chairman of the Company, assumes the role of chief executive officer and is responsible for the overall control and management of the Company and the Group. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately represented.

Model Code for 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 as its own code of conduct regarding directors' securities transaction. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the financial statements for the year ended 31 March 2006 is set out in the Report of the Auditors on pages 23 and 30 of this annual report.

Audit Committee

The Company has established an Audit Committee on 16 May 2006 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are consistent with the provisions as set out in the CG Code and are available on the Company's website.

The Audit Committee comprises three Independent Non-executive Directors, namely:-

Mr. Tam Hok Lam, Tommy, J.P. (Chairman of committee)

Dr. Hui Ka Wah, Ronnie

Mr. Leung Man Chun, Paul

The chairman of the committee, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. In fact, all members of the committee have diversified professional experience in accounting and/or finance.

The principal duties of the Audit Committee are to review and to supervise the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Meeting shall be held at least twice a year. Additional meetings should be held if the Audit Committee shall so request.

The Group's annual report for the year ended 31 March 2006 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

Remuneration Committee

The Company has set up a remuneration committee (the “Remuneration Committee”) on 16 May 2006 ensuring that there are formal and transparent procedures for setting up policies in respect of the remuneration of Directors and senior management. The Remuneration Committee consists of four members, three Independent Non-executive Directors and the Company’s Chairman namely:

Mr. Tam Hok Lam, Tommy, J.P. (Chairman of committee)

Dr. Hui Ka Wah, Ronnie

Mr. Leung Man Chun, Paul

Ms. Choi Hon Hing

The Remuneration Committee is chaired by Mr. Tam Hok Lam, Tommy, J.P.. Meeting shall be held at least once a year. Additional meetings should be held if the Committee shall so request.

The Remuneration Committee are governed by the terms of reference and are consistent with the terms as set out in the CG Code, the said terms of reference are available from the Company’s website. No Director is involved in deciding his own remuneration.

Investment Committee

The Company’s investment committee (the “Investment Committee”) was set up in May 2006 to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee is comprised of three members including the chairman of the Company, a director and the financial controller of the Company, and all investment management and control were performed by such investment committee. The Group has formalised an investment policy detailing the investment objective, decision making, monitoring and risk assessment on the investments to ensure they are in line with the investment strategy of the Group.

Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group’s internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

Auditors’ Remuneration

For the year ended 31 March 2006, the fee paid/payable to the auditors of the Group in respect of audit services, and tax and reporting accountants’ fee were approximately HK\$761,000 and HK\$1,890,000 respectively.