

## CORPORATE GOVERNANCE REPORT

As from 1 January 2005, the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange became effective for accounting periods commencing on or after that date.

The Company has complied with the code provisions laid down in the CG Code throughout the year ended 31 March 2006, except for code provisions A.4.1, A.4.2 and B.1.3, details of which are discussed in this report.

### BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 14 of the annual report.

On 18 July 2006, Mr. Chan Yuen Keung, Zuric, Mr. Hong Yiu and Mr. Au Yu Fai, Patrick tendered their resignation as directors of the Company with effect from 19 July 2006. Mr. Chan Yuen Keung, Zuric and Mr. Hong Yiu will cease to be the Chairman and Deputy Chairman of the Company, respectively, upon their resignation as directors of the Company on 19 July 2006. Ms. Cao Jing was nominated by the Board as the Executive Chairman of the Company with effect from 19 July 2006.

The biographical details of the directors are set out in the section "Directors' and Senior Managers' Biographies" on pages 3 to 4 of the annual report.

Except for Mr. Mo Tian Quan and Ms. Cao Jing who are spouse, no directors have any relationship (including financial, business, family or other material/relevant relationship) with any other directors of the Company.

The Company has only two independent non-executive directors after the resignation of Dr. Chan Chok Ki on 2 May 2006. Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors. The Board is in the process of locating a replacement independent non-executive director. Pursuant to Rule 3.11 of the Listing Rules, the Board shall appoint a sufficient number of independent non-executive directors within three months from the effective date of the resignation of Dr. Chan Chok Ki of 2 May 2006 to meet the minimum number required under Rule 3.10(1) of the Listing Rules.

The Board held five board meetings during the year. Due notice and board papers were given to all directors prior to the meeting in accordance with the Bye-laws of the Company. The attendance of each director is set out as follows:

<b>Name of director</b>	<b>Number of meetings attended</b>
<i>Executive Directors</i>	
Mr. Chan Yuen Keung, Zuric ( <i>Chairman</i> )	5
Mr. Hong Yiu	3
Mr. Yu Sek Kee, Stephen	5
Mr. Au Shiu Wai, Frank (retired on 1 February 2006)	5
Mr. Au Yu Fai, Patrick	5

## CORPORATE GOVERNANCE REPORT

**BOARD OF DIRECTORS** *(Continued)**Independent Non-Executive Directors*

Dr. Chan Chok Ki (resigned on 2 May 2006)	5
Mr. Ho Hin Kwan, Edmund	4
Mr. Yu Hon To, David	5

Drafts minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the company secretary.

**CHAIRMAN AND MANAGING DIRECTOR**

The Chairman of the Company is Mr. Chan Yuen Keung, Zuric and the Managing Director of the Company is Mr. Yu Sek Kee, Stephen. The roles of the Chairman and Managing Director are segregated and are not exercised by the same individual. On 18 July 2006, Mr. Chan Yuen Keung tendered his resignation as a director of the Company with effect from 19 July 2006 and will cease to be the Chairman of the Company on that date. Ms. Cao Jing was nominated by the Board as the Executive Chairman of the Company with effect from 19 July 2006.

**RE-ELECTION OF DIRECTORS**

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. 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 those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.

**REMUNERATION COMMITTEE**

The remuneration committee of the Company ("Remuneration Committee") comprised three directors, of which Mr. Ho Hin Kwan, Edmund (Chairman) and Dr. Chan Chok Ki (resigned on 2 May 2006) are independent non-executive directors and Mr. Yu Sek Kee, Stephen is an executive director. The Remuneration Committee is responsible for reviewing the Company's policy and structure for the remuneration of the executive directors and senior management and giving advises on the establishment of a formal and transparent procedure for developing policy on such remuneration.

## CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December 2005, which was subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is determined by the Board and the Chairman of the Board respectively, taking reference to market pay and individual performance. This policy has been in place prior to the establishment of the Remuneration Committee. There have been no changes to the remuneration packages of the executive directors and senior management of the Company during the year. Two committee meetings were held in February 2006 and April 2006, during which the remuneration of the executive directors and senior management of the Company were reviewed individually and the terms of reference for the Remuneration Committee were adopted to ensure compliance with the Listing Rules. The attendance of each member is shown as below:

<b>Name of member</b>	<b>Number of meetings attended</b>
<i>Executive Director</i>	
Mr. Yu Sek Kee, Stephen	2
<i>Independent Non-Executive Directors</i>	
Mr. Ho Hin Kwan, Edmund ( <i>Chairman</i> )	2
Dr. Chan Chok Ki (resigned on 2 May 2006)	2

## AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprised three directors, all of which are independent non-executive directors, namely Mr. Yu Hon To, David (Chairman), Dr. Chan Chok Ki and Mr. Ho Hin Kwan, Edmund. On 2 May 2006, Dr. Chan Chok Ki resigned as a director of the Company and ceased to be a member of the Audit Committee. The Board is in the process of locating a replacement independent non-executive director.

The Audit Committee has only two members after the resignation of Dr. Chan Chok Ki. Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and the audit committee must comprise a minimum of three members. The Board is aware of the non-compliance of Rule 3.21 of the Listing Rules. As the Board comprises of six executive directors and two independent non-executive directors, the new member of the audit committee could only be nominated upon the appointment of the replacement independent non-executive director.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors financial reporting matters, both the half year results for the six months ended 30 September 2005 and the annual results for the year ended 31 March 2006.

## CORPORATE GOVERNANCE REPORT

**AUDIT COMMITTEE** *(Continued)*

The Audit Committee met two times during the year and the attendance of each member is shown as below:

<b>Name of member</b>	<b>Number of meetings attended</b>
<i>Independent Non-Executive Directors</i>	
Mr. Yu Hon To, David (Chairman)	2
Dr. Chan Chok Ki (resigned on 2 May 2006)	2
Mr. Ho Hin Kwan, Edmund	2

Drafts minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the company secretary.

**NOMINATION COMMITTEE**

The nomination committee of the Company ("Nomination Committee") comprises three directors, of which Dr. Chan Chok Ki (Chairman) and Mr. Yu Hon To, David are independent non-executive directors and Mr. Chan Yuen Keung, Zuric is an executive director. On 2 May 2006, Dr. Chan Chok Ki resigned as a director of the Company and ceased to be a member of the Nomination Committee. On the same date, Mr. Ho Hin Kwan, Edmund was nominated by the Board as a member and the chairman of the Nomination Committee to replace Dr. Chan Chok Ki. The Nomination Committee shall meet before the holding of annual general meetings of the Company where the appointment of directors will be considered and additional meetings will be held when required.

Pursuant to the terms of reference, the Nomination Committee has the power from time to time and at any time to nominate any person as a director to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Nomination Committee has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

On 2 May 2006, the first meeting of the Nomination Committee was held and the policies for the nomination of directors were formulated. It was also resolved to recommend the nomination of two new directors, namely Mr. Mo Tian Quan and Ms. Cao Jing, to join the Board. The attendance of the Nomination Committee meeting is shown below:

<b>Name of member</b>	<b>Number of meetings attended</b>
<i>Executive Director</i>	
Mr. Chan Yuen Keung, Zuric	1
<i>Independent Non-Executive Directors</i>	
Dr. Chan Chok Ki (Chairman) (resigned on 2 May 2006)	1
Mr. Yu Hon To, David	1

On 18 July 2006, Mr. Chan Yuen Keung, Zuric tendered his resignation as a director of the Company with effect from 19 July 2006 and he will cease to be a member of the Nomination Committee on that date. Ms. Cao Jing was nominated by the Board as a member of the Nomination Committee with effect from 19 July 2006.

## CORPORATE GOVERNANCE REPORT

### AUDITORS' REMUNERATION

During the year, the remuneration paid to the auditors of the Group were as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> <i>HK\$'000</i>
Audit services	740
Non-audit services	1,353
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	2,093
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### DIRECTOR'S 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.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Report of the Auditors on page 21 of this annual report.