

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors of the Company (the "Board") is committed to maintaining good corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31st March, 2006, except for the deviations discussed below. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that its business activities are regulated in a proper and prudent manner.

Chairman and Chief Executive Officer

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

The Company has deviated from the Code provision A.2.1 and the roles of chairman and chief executive officer of the Company are now performed by the same person. Mr. Wong Tek Sun, Takson now assumes the roles of both the chairman and chief executive officer of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can provide the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Directors' Securities Transactions

Code provision A.5.4 stipulates that directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and, in addition, the Board should establish written guidelines for relevant employees in respect of their dealings in the securities of the Company.

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Directors' Securities Transactions *(continued)*

The Company has adopted a code of conduct (the "Company's Code") regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code. None of the Directors is aware of any information that would indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and the Company's Code. Upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code and the Company's Code for the year ended 31st March, 2006. The Company's Code also applies to other specified senior management of the Group, including those as set out in the paragraph headed Directors and Senior Management in the Report of Directors on pages 9 to 20.

The Board of Directors

The Board comprises two executive Directors, three independent non-executive Directors and one non-executive Director as follows:

Executive Directors:

Mr. Wong Tek Sun, Takson *(Chairman)*

Ms. Pang Shu Yuk, Adeline Rita

Independent non-executive Directors:

Mr. Tsao Kwang Yung, Peter *(deceased on 5th June, 2005)*

Mr. Lee Kwok Cheung

Mr. Zheng Jie

Mr. Chau Tsun Ming, Jimmy *(appointed on 21st July, 2005)*

Non-executive Director:

Mr. Wong Tak Yuen

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The Board of Directors *(continued)*

One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Biographical details of the Directors and the relationships among the current members of the Board are set out in the paragraph of Directors and Senior Management in the Report of the Directors on pages 9 to 20.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting pursuant to Bye-law 87 of the Company's Bye-laws.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to represent the long-term interests of the shareholders of the Company.

Independent Non-Executive Directors

The independent non-executive Directors are professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills and expertise can ensure strong independent views and judgment on the Board. They also serve important function of ensuring and monitoring the effectiveness of the corporate governance framework of the Company. The Board considers each of the independent non-executive Directors independent and that they all meet the independence criteria as set out under Rule 3.13 of the Listing Rules.

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Role and Function of the Board

The main role and function of the Board include the formulation of overall strategies and policies of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. The day-to-day operational matters of the Group are delegated by the Board to the management. The Board has conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries.

Board Meeting

The number of the Board meetings held during the year ended 31st March, 2006 and the attendance of each of the Directors is as follows:

Directors	Number of Board Meetings attended	Attendance rate
Executive Directors		
Mr. Wong Tek Sun, Takson	11/11	100%
Ms. Pang Shu Yuk, Adeline Rita	11/11	100%
Independent non-executive Directors		
Mr. Tsao Kwang Yung, Peter <i>(deceased on 5th June, 2005)</i>	1/11	9%
Mr. Lee Kwok Cheung	7/11	64%
Mr. Zheng Jie	7/11	64%
Mr. Chau Tsun Ming, Jimmy <i>(appointed on 21st July, 2005)</i>	4/11	36%
Non-executive Director		
Mr. Wong Tak Yuen	6/11	55%

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Audit Committee

The Audit Committee was responsible for overseeing the audit process and reviewing the effectiveness of both financial reporting process, internal control and risk management systems of the Company. The Audit Committee has reviewed the half-yearly results of the Company for the six months ended 30th September, 2005 and the annual consolidated results of the Company for the year ended 31st March, 2006. The Audit Committee also carried out and discharged its other duties as set out in the Code. Two of the members of the Audit Committee are independent non-executive Directors and the other one is the non-executive Director, comprising:

Mr. Lee Kwok Cheung (*Chairman of the Audit Committee*)
Mr. Tsao Kwang Yung, Peter (*deceased on 5th June, 2005*)
Mr. Chau Tsun Ming, Jimmy (*appointed on 21st July, 2005*)
Mr. Wong Tak Yuen

During the year ended 31st March, 2006, two meetings have been held by the Audit Committee and the attendance of each of the committee members at the Audit Committee meeting during the year ended 31st March, 2006 is set out as follows:

Directors	Number of meetings attended	Attendance rate
Mr. Lee Kwok Cheung (<i>Chairman of the Audit Committee</i>)	2/2	100%
Mr. Tsao Kwang Yung, Peter (<i>deceased on 5th June, 2005</i>)	1/2	50%
Mr. Chau Tsun Ming, Jimmy (<i>appointed on 21st July, 2005</i>)	1/2	50%
Mr. Wong Tak Yuen	2/2	100%

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Remuneration Committee

Code provision B.1.1 stipulates that the Company should establish a remuneration committee with specific written terms of reference.

The Company has deviated from the Code provision B.1.1 as the Company did not establish a remuneration committee. It is the responsibility of the Board to formulate the Company's policy and structure for all remuneration of Directors and members of senior management of the Company and to determine the specific remuneration packages of all Directors and members of the senior management of the Company. Hence, the remuneration of the Directors are now determined by all members of the Board from time to time. All Directors are required to be present at the Board meeting held for the purpose of determining the remuneration of the Directors. The Directors consider that the present arrangement is adequate to determine the remuneration of the Directors. During the year ended 31st March, 2006, all the Board members (including Mr. Wong Tek Sun Takson, Ms. Pang Shu Yuk Adeline Rita, Mr. Lee Kwok Cheung, Mr. Zheng Jie, Mr. Chau Tsun Ming Jimmy and Mr. Wong Tak Yuen) have attended one Board meeting for the purpose of determining the remuneration of the Directors with reference to the respective expertise, experience, performance of the each of the Directors as well as the market practice and condition. The Directors did not participate in determining his/her own remuneration. The Board will consider to set up a remuneration committee with specific terms of reference in the next fiscal year.

Nomination of Directors

Code provision A.4.4 stipulates that the Company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors.

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Nomination of Directors *(continued)*

The Company has deviated from the Code provision A.4.4 as the Company did not establish a normalisation committee. The Board has not established the nomination committee at the present moment. It is the responsibility of the Board to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis. Appointment of new Directors is required to be considered by all members of the Board and all Directors are required to be present at the Board meeting held for the purpose of considering the nomination of new Directors. A new Director is expected to possess such expertise to qualify him/her to make positive contribution to the Company and to give sufficient time and attention to the affairs of the Company. All Directors are subject to retirement by rotation and re-election by shareholders of the Company at the annual general meetings in accordance with the Bye-laws of the Company. A new Director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company.

During the Board meeting held on 21st July, 2005, all the Board members at that time (including Mr. Wong Tek Sun Takson, Ms. Pang Shu Yuk Adeline Rita, Mr. Lee Kwok Cheung, Mr. Zheng Jie and Mr. Wong Tak Yuen) approved to appoint Mr. Chau Tsun Ming, Jimmy, as an independent non-executive Director. The Board considered that Mr. Chau possessed appropriate professional accounting qualification and financial management expertise and believed that Mr. Chau could make positive contribution to the Group.

Auditor's Remuneration

For the year ended 31st March, 2006, the total remuneration of the Group's auditors for the provision of statutory audit service and non-audit service amounted to HK\$879,000 and HK\$24,000 respectively.

Respective Responsibilities of Directors and Auditors

The Directors acknowledge that they are responsible for the preparation of the accounts. The Auditors acknowledge their responsibilities for forming an independent opinion, based on the audit, on the accounts prepared by the Directors and report the opinion solely to the shareholders of the Company.