

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's goals. The corporate governance principles of the Company emphasise a quality board, sound internal control, transparency and accountability to all shareholders. This report describes its corporate governance practices, explains the applications of the principles of the Code on Corporate Governance (the "Code") as set out in Appendix 14 of the Listing Rules.

The board of Directors (the "Board") has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the provisions set out in the Code except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association (the "Articles"), and (iii) the chairman and managing director is not subject to retirement by rotation under the Articles.

CORPORATE GOVERNANCE PRACTICES

Save as disclosed in this report, the Company has complied with the provisions of the Code. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximised. The Board has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to enhance their awareness of good corporate governance practices and keep them abreast of the latest development of the Listing Rules and other regulatory requirements.

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. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board comprises five Directors, of whom two are executive Directors and three are independent non-executive Directors (the "INED"). The Board believes that as the number of INEDs exceeds the number of executive Directors, the composition of Directors is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

The INEDs provide the Group with different expertise and experience. Their participation in Board meetings could bring independent judgment on issues relating to the Group's strategy, internal control, performance to ensure the interests of the shareholders are taken into account.

The Company has received from each of the its independent non-executive Directors an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.



The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegated day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. The Board is responsible for approving and monitoring the Company's overall strategies and policies, overseeing the financial position of the Group, approving business plans, evaluating the performance of the Company and supervising the performance of the management.

Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The members of the Board during the year under review were:

Executive Directors:

Cheung Keng Ching (Chairman)
 Chou Mei
 Lau Ka Man (resigned on 2 November 2005)

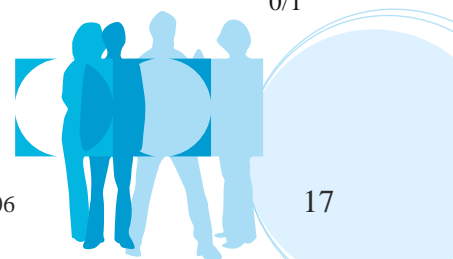
Independent Non-Executive Directors (“INEDs”):

Chow Chi Kit (resigned on 13 May 2005)
 To Yan Ming, Edmond (resigned on 13 May 2005)
 Hung Muk Ming (resigned on 16 February 2006)
 Wong Lai Fong (appointed on 13 May 2005 and resigned on 3 January 2006)
 Wong Kin Tak (appointed on 13 May 2005 and resigned on 3 January 2006)
 Wan Ngar Yin, David (appointed on 3 January 2006)
 Lo Siu Tong, Alfred (appointed on 3 January 2006)
 Wong Lai Wah, Ada (appointed on 16 February 2006)

The brief biographical details of the Directors are set out in the “Biographical Details of Directors and Senior Management” section in the Report of the Directors on page 11 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year under review, 13 Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

Directors	Attendance
Executive	
Cheung Keng Ching	7/13
Chou Mei	13/13
Lau Ka Man, Kevin (resigned)	6/7
Independent non-executive	
Chow Chi Kit (resigned)	0/0
To Yan Ming, Edmond (resigned)	0/0
Hung Muk Ming (resigned)	2/12
Wong Lai Fong (resigned)	0/11
Wong Kin Tak (resigned)	2/11
Wan Ngar Yin, David	0/2
Lo Siu Tong, Alfred	1/2
Wong Lai Wah, Ada	0/1



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheung Keng Ching has combined role of chairman and chief executive officer. The Board considers that as Mr. Cheung Keng Ching is the founder of the Group, the appointment of Mr. Cheung Keng Ching as the chairman and chief executive officer of the Group is beneficial to the Group as he has in-depth understanding of the operation of the Group and considerable experience in the industry.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced and professional INEDs and experienced management team. Given the fact that Mr. Cheung Keng Ching is the founder of the Group, the Board considers that appointing Mr. Cheung Keng Ching as the chairman and chief executive officer will maximise the effectiveness of its operations. However, the Board will review the existing structure from time to time.

APPOINTMENT, RE-ELECTION AND REMOVAL

The INEDs have been appointed by the Company during the year under review until the next following annual general meeting and are required to retire and be eligible for re-election at the next following annual general meeting of the Company.

Under provision A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Articles of Association of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the board and/or managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

In the forthcoming annual general meeting of the Company, a resolution will be proposed to amend the Articles so that (i) every Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected, and (b) Directors holding office as the chairman of the Board or the Managing Director of the Company are also subject to retirement by rotation. Following the amendments to the Articles, the Company considers that sufficient measures will be in place to ensure that the Company's corporate governance practices are in line with the Code.

REMUNERATION COMMITTEE

The remuneration committee was established in December 2005. At the time of formation, the chairman of the committee was Mr. Cheung Keng Ching (executive Director) and other members included Mr. Wong Kin Tak (former INED of the Company) and Madam Wong Lai Fong (former INED of the Company). On 3 January 2006, Mr. Wan Ngar Yin, David and Mr. Lo Siu Tong, Alfred were appointed as members of the committee to replace Mr. Wong Kin Tak and Madam Wong Lai Fong, both had resigned on 3 January 2006.



The Remuneration Committee is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remuneration of executive Directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme, other compensation-related issues and performance based remuneration.

The Remuneration Committee is provided with resources enabling it to discharge its duties including access to relevant and timely information, support of independent professional advice if and when necessary. During the year under review, the Remuneration Committee did not hold any meetings. Regular meetings of the Remuneration Committee will be held to discuss remuneration and compensation related issues.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs of the Company, namely Mr. Wan Ngar Yin, David, Mr. Lo Siu Tong, Alfred and Madam Wong Lai Wah, Ada and Mr. Wan Ngar Yin, David acts as the chairman of the Audit Committee. The Committee is responsible for appointing external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. Management of the Company provides the Board with all relevant information the Committee needs for it to discharge its responsibilities.

The Committee meets regularly to review financial reporting and internal control matters and has unrestricted access to the support of both the Company's management and auditors.

The Audit Committee held three meetings in the year under review, in which the committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained.

Individual attendance of each audit committee member during the year under review is as follows:

Members	Attendance
Hung Muk Ming (<i>resigned</i>)	2/2
Wong Lai Fong (<i>resigned</i>)	0/2
Wong Kin Tak (<i>resigned</i>)	2/2
Wan Ngar Yin, David	1/1
Lo Siu Tong, Alfred	0/1
Wong Lai Wah, Ada	1/1

AUDITORS' REMUNERATION

During the year under review, total auditors' remuneration charged in relation to statutory audit work of the Group amounted to HK\$450,000 (2005: HK\$650,000).

NOMINATION OF DIRECTORS

The Board has the power to appoint Directors pursuant to the Articles. During the year ended 31 March 2006, the Board has appointed three (3) new INED's to replace the outgoing INEDs.



ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge that they are responsible for (i) preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group, and (ii) presenting a clear, balanced and understandable assessment of the Group's performance and prospects in the Company's annual and interim report, price-sensitive announcements and other financial disclosures required under the Listing Rules and such other matters as the regulators may request. Except for those stated in note 40 to the financial statements, the Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the internal control system within an established framework.

INVESTORS RELATIONS

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report and press releases. The Directors host annual general meeting each year to meet with the shareholders to ensure that shareholders' view is communicated to the Board. Directors of the Company make efforts to attend the annual general meetings so that they could communicate with the shareholders and answer their questions.

