

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles and the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 31 March 2006, the Company has complied with the CG Code with deviations from the code provision A.4.1 and B.1.1 of the CG Code as summarized below.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, all directors are subject to retirement by rotation at each annual general meeting in accordance with the Company's Articles of Association and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of appointment.

The code provision B.1.1 of the CG Code stipulates that a majority of the members of the remuneration committee should be independent non-executive directors. As Mr. Lee Peng Fei, Allen, J.P. resigned as the member and Chairman of the Remuneration Committee on 1 March 2006, the Remuneration Committee consisted only one independent non-executive director and one non-executive director. On 19 June 2006, the Board appointed Mr. Wong Hon Sum, an independent non-executive director of the Company, as a member and also a Chairman of the Remuneration Committee so as to comply with the code provision B.1.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("Model Code").

Having made specific enquiry of all directors, the directors of the Company have complied with the required standard set out in the Model Code throughout the year.

BOARD

a) Board Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors, serving the important function of guiding the management.

The Board members for the year ended 31 March 2006 and up to the date of the annual report were:–

Chairman

Mr. Zhang Yang

Executive directors

Mr. Zhang Yang

Mr. Chan Wing Yuen, Hubert

Mr. Lam Cheung Shing, Richard

Non-executive director

Mr. Hui Ho Ming, Herbert, J.P.

Independent non-executive directors

Mr. Lee Peng Fei, Allen, J.P. (resigned on 1 March 2006)

Mr. Wu Wai Chung, Michael

Mr. Wong Hon Sum

Ms. Ha Ping

BOARD (continued)

b) Role and function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 March 2006, the Board:—

- i. reviewed the performance of the Group and formulated business strategy of the Group;
- ii. reviewed and approved the annual and interim results of the Group for the year ended 31 March 2005 and for the period ended 30 September 2005 respectively ;
- iii. reviewed and approved connected transaction of the Group;
- iv. reviewed the internal controls of the Group;
- v. reviewed the reduction in shareholding of the major shareholder of the Company during the year;

BOARD (continued)

b) Role and function (continued)

- vi. reviewed and approved the general mandates to issue and repurchase shares of the Company;
- vii. reviewed and approved the price-sensitive transactions;
- viii. reviewed and approved the notifiable transactions/discloseable transactions of the Company;
- ix. reviewed and approved the resignation of Deloitte Touche Tohmatsu (“Deloitte”) and appointment of HLB Hodgson Impey Cheng (“HLB”) as the external auditors of the Group respectively; and
- x. reviewed and approved the resignation of Mr. Lee Peng Fei, Allen, J.P. as the independent non-executive director of the Company in which Mr. Lee confirmed that there were no disagreement with the Board, no matter relating to his resignation that needed to be brought to the attention of the shareholders of the Company and no claim to the Company for his resignation.

To the best knowledge of the Company, there is no financial, business and family relationship among our directors between the chairman and the chief executive officers. All of them are free to exercise their independent judgment.

BOARD (continued)**c) Meeting Records**

There were four Board meetings held for the year ended 31 March 2006.

The following was an attendance record of the Board meetings held by the Board during the year:

Board Members	Attendance at meetings held for the year ended 31 March 2006	Attendance Rate
Mr. Zhang Yang	2/4	50%
Mr. Chan Wing Yuen, Hubert	4/4	100%
Mr. Lam Cheung Shing, Richard	4/4	100%
Mr. Hui Ho Ming, Herbert, J.P.	4/4	100%
Mr. Lee Peng Fei, Allen, J.P. (resigned on 1 March 2006)	3/4	75%
Mr. Wu Wai Chung, Michael	4/4	100%
Mr. Wong Hon Sum	4/4	100%
Ms. Ha Ping	2/4	50%

d) Independent Non-executive Directors

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all independent non-executive directors as to their independence with reference to the factors as set out in Listing Rules 3.13.

e) Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are Mr. Zhang Yang and Mr. Chan Wing Yuen, Hubert respectively.

The chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The chief executive officer is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board. The division of responsibilities between the chairman and chief executive officer is clearly established and set out in the Code of Corporate Governance of the Company.

BOARD (continued)

f) Accountability and Audit

The directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the directors consider that the financial statements of the Group are prepared on going concern basis and appropriate accounting policies have been consistently applied. The directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Report of the Auditors on page 40.

g) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective internal controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Remuneration Committee
- Corporate Governance Committee

Each Board Committee makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

1) Audit Committee

The audit committee currently consists of three independent non-executive directors.

a) Composition of audit committee members

Mr. Wong Hon Sum (*chairman of audit committee*)

Mr. Wu Wai Chung, Michael

Ms. Ha Ping

b) Role and function

The audit committee is mainly responsible for:

- to review the Group's financial and accounting policies and financial statements half yearly before submission to, and providing advice and comments thereon on to the Board;
- to discuss with the external auditors the nature and scope of audit and review audit issues raised by the external auditors;

BOARD COMMITTEES (continued)

1) Audit Committee (continued)

b) Role and function (continued)

- iii. to review the financial controls, internal controls and risk management systems of the Group; and
- iv. to consider the appointment, resignation or dismissal of external auditors and their audit fees.

c) Meeting Records

The audit committee held three meetings during the year, particular in reviewing the interim and annual results of the Group, internal controls and change of external auditors of the Group.

The following was an attendance record of the of the audit committee meetings for the year ended 31 March 2006:

Committee member	Attendance at meetings held for the year ended 31 March 2006	Attendance Rate
Mr. Wong Hon Sum	3/3	100%
Mr. Wu Wai Chung, Michael	3/3	100%
Ms. Ha Ping	2/3	66.67%

BOARD COMMITTEES (continued)

1) Audit Committee (continued)

c) Meeting Records (continued)

During the meetings, the audit committee discussed the following matters:–

i Financial Reporting

The audit committee met with the external auditors to discuss the interim and annual financial statements of the Group. The auditors, the chief executive officer, the company secretary and the financial controller of the Company were also in attendance to answer questions on the financial results.

Where there were questions on the financial statements and system of internal control of the Group reviewed by the audit committee, the management of the Company would provide breakdown, analysis and supporting documents to the audit committee members in order to ensure that the audit committee members were fully satisfied and make proper recommendation to the Board.

ii External Auditors

The audit committee reviewed the audit fee for the year ended 31 March 2005 and recommended to the Board. Besides, the audit committee reviewed the resignation of Deloitte and the appointment of HLB as the external auditors of the Group respectively and also the proposed audit fee for the year ended 31 March 2006 and recommended to the Board.

iii Internal Controls

The audit committee discussed with the management the internal controls of the Group. As such, the Company appointed HLB to review the internal controls of the Group.

BOARD COMMITTEES (continued)

2) Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive directors and one non-executive director.

a) Composition of remuneration committee members

Mr. Wong Hon Sum (appointed on 19 June 2006)

(chairman of the remuneration committee)

Mr. Hui Ho Ming, Herbert, J.P.

Mr. Wu Wai Chung, Michael

Mr. Lee Peng Fei, J.P. (resigned on 1 March 2006)

b) Role and function

The remuneration committee is mainly responsible for:

- i. reviewing any significant changes in human resources policies and structure made in line with the prevailing trend and business requirements;
- ii. making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- iii. reviewing and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
- iv. ensuring that no director or any of his associates is involved in deciding his own remuneration.

Where circumstances are considered appropriate, some remuneration committee decisions are approved by way of written resolutions passed by all the committee members.

BOARD COMMITTEES (continued)

2) Remuneration Committee (continued)

c) Meeting Record

For the year ended 31 March 2006, there was one meeting held.

The following was an attendance record of the of the remuneration committee meeting for the year ended 31 March 2006:

Committee member	Attendance at meeting held for the year ended 31 March 2006	Attendance Rate
Mr. Lee Peng Fei, J.P. (resigned on 1 March 2006)	1/1	100%
Mr. Hui Ho Ming, Herbert, J.P.	1/1	100%
Mr. Wu Wai Chung, Michael	1/1	100%

During the year under review, the remuneration committee reviewed the policies for the remuneration of director and senior management of the Group, the staff costs and headcount of the Group.

3) Corporate Governance Committee

The corporate governance committee currently consists of one executive director, one independent non-executive director and one non-executive director.

a) Composition of corporate governance committee members

Mr. Hui Ho Ming, Herbert J.P. (*chairman of the corporate governance committee*)
Mr. Chan Wing Yuen, Hubert
Mr. Wong Hon Sum

BOARD COMMITTEES (continued)

3) Corporate Governance Committee (continued)

b) Role and function

The corporate governance committee is mainly responsible for:

- i. reviewing the policies relating to corporate governance;
- ii. proposing to the Board in respect of the Company's corporate governance policies and in respect of the formulation of these corporate governance policies for the establishment of formal and transparent procedures;
- iii. ensuring a formal structure of policies and systems, such as that set out in the CG Code, including the necessary checks and balances, can only work effectively within an overall of honesty and integrity;
- iv. monitoring the performance of management of the Company in relation to corporate governance matters;
- v. setting the Company's values and standards for its corporate governance;
- vi. reviewing and advise upon matters in respect of the present or future regulatory related matters of the Company; and
- vii. delegating such of its powers as this Committee deems appropriate to the management of the Company.

Where circumstances are considered appropriate, some Board decisions are approved by way of written resolutions passed by all the directors.

BOARD COMMITTEES (continued)

3) Corporate Governance Committee (continued)

c) Meeting Records

For the year ended 31 March 2006, there were two meetings held.

The following was an attendance record of the of the corporate governance committee meetings for the year ended 31 March 2006:

Committee member	Attendance at meeting held for the year ended 31 March 2006	Attendance rate
Mr. Hui Ho Ming, Herbert, J.P.	2/2	100%
Mr. Chan Wing Yuen, Hubert	2/2	100%
Mr. Wong Hon Sum	2/2	100%

During the year under review, the corporate governance committee reviewed the corporate governance disclosure of the Group's interim results for the period ended 30 September 2005 and discussed the change of external auditors and the internal controls of the Group and the reduction in shareholding of the major shareholder of the Company during the year.

EXTERNAL AUDITORS

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Apart from the provision of annual audit services, HLB also carried out interim review of the results of the Group.

EXTERNAL AUDITORS (continued)

For the year ended 31 March 2006, HLB provided the following services to the Group:–

	2006 <i>HK\$'000</i>
Annual audit services	750
Other advisory services	80
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INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

Information about the Company's activities is provided in its interim and annual Reports, which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

The Board recognizes the importance to maintain on-going dialogue with shareholders. The Company's annual general meeting ("AGM") and extraordinary general meeting (EGM") are the principal channels to communicate directly with the shareholders. The Chairman of the Board and the chairmen of the Audit Committee and Remuneration Committee (or their duly appointed delegates) together with the external auditors are presented to answer shareholders' queries at the AGM.

All shareholders have statutory rights to call for EGM and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items.

Registered shareholders are notified by post for the shareholders' meetings, such as at least 21 days' notice for AGM and 14 days' notice for EGM respectively. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS (continued)

For the year ended 31 March 2006, the following shareholder meeting was held by the Company:—

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
20 August 2005	Sonata Room, 33/F, Rosedale on The Park, 8 Shelter Street, Causeway Bay, Hong Kong	Annual General Meeting	<ol style="list-style-type: none"> 1. To approve the financial statements, the report of the directors and the report of the auditors for the year ended 31 March 2005 2. To re-appoint Deloitte Touche Tohmatsu as auditors and authorize the board of directors to fix their remuneration 3. To re-elect directors; and 4. To approve the general mandate to issue and repurchase shares of the Company 	By show hands and by poll votes

MEMORANDUM AND ARTICLES OF ASSOCIATION

There are no changes to the Memorandum and Articles of Association during the year ended 31 March 2006.

PUBLIC FLOAT CAPITALIZATION AND SHAREHOLDER INFORMATION

As at 31 March 2006, the public float of capitalization of the Company was approximately HK\$236 million. The following table summarized the shareholding structure of the Company as at 31 March 2006:—

By Category	2006	
	No. of Shares	% of issued share capital of the Company
Wealth Land Development Corp. (a company beneficially and wholly owned by Mr. Zhang Yang)	103,495,000	1.85%
Public Shareholders	5,481,428,632	98.15%
Total	<u>5,584,923,632</u>	<u>100%</u>

PUBLIC FLOAT CAPITALIZATION AND SHAREHOLDER INFORMATION (continued)

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the Company has not been notified of any substantial shareholders' interests or short positions, being 5% or more of the Company's issued share capital.

FINANCIAL CALENDAR FOR 2006/07

Events

Dates

Announcement of 2005/06 annual results
Annual General Meeting
Announcement of 2006/07 interim results

20 July 2006
26 August 2006
December 2006