

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2006.

Good corporate governance has always been recognised as vital to the Company's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of its business.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

- (a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and
- (b) recommended best practices for guidance (the "Recommended Best Practices") only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has applied the Principles set out in the Code and complied with most of the Code Provisions save for (i) the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the Code; (i) the Code which requires that the division of responsibilities between the Chairlady and General Manager should be clearly established and set out in writing. The details of such deviations of the Code Provisions A.4.2 and A.2.1 will be explained below.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the General Manager and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the General Manager and the senior management to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

The Board currently comprises of nine members, consisting of four executive directors, one alternate director, one non-executive director and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mrs. Tsai Lai Wa, Jenny, Chairlady of the Board.

Ms. Mao Yue, member of the Remuneration Committee and the Nomination Committee.

Ms. Siu Bessie (Appointed on 25 April 2006), General Manager, Chairlady of the Remuneration Committee and the Nomination Committee.

Mr. Lee Yiu Tung (Appointed on 13 June 2006)

Mr. Siu Edmund (Resigned on 12 July 2006)

Alternate Director

Mr. Peter Christopher Tashjian (Alternate to Mrs. Tsai Lai Wa, Jenny) (Appointed on 11 July 2006)

Non-Executive Director

Mr. Fu Wing Kwok, Ewing (Re-designated as non-executive director on 12 July 2006), member of the Remuneration Committee and the Nomination Committee.

Independent non-executive directors:

Mr. Fu Wing Kwok, Ewing (Re-designated as non-executive director on 12 July 2006), member of the Remuneration Committee and the Nomination Committee

Mr Liang Kwong Lim, member of the Audit Committee

Ms. Lo Wing Yan, Emmy, member of the Audit Committee

Mr Chang Kin Man (Appointed on 13 July 2006), Chairman of the Audit Committee, member of the Audit Committee

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographies of Directors " on page 15 to 16.

During the year ended 31 March 2006, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Composition (Continued)

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Code provision A1.3 stipulates that 14-days notice should be given for each board meeting. The Company agrees that sufficient time should be given to the directors of the Company (the "Directors") in order to make a proper decision. In these respects, the Company adopts a more feasible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the non-executive Directors ("INEDs") are not appointed for specific terms. According to the Memorandum and Articles of Association of the Company, however, the INEDs are subject to the retirement and re-election. The reason for the deviation is that the Company believes that Directors ought to be committed to representing the long term interest of the Company's shareholders.

Code provision A4.2 stipulates that every director should subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairlady shall be subject to retirement by rotation. The Company's Memorandum and Articles of Association deviate from the code provision. The Company considered that the continuity of the Chairlady/Deputy Chairman/General Manager and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable proportion of Directors in continuing which is to the best interest of the Company's shareholder.

Code provisions B1.1-5 stipulate the establishment of a remuneration committee, its operations and its term of reference. In addition, Code provision C3.3 stipulates the terms of reference of the audit committee. The previous terms of reference of our audit committee do not fully cover those set out in Code provision C3.3. The Company has adopted terms of reference as set out in Code provision C3.3 and set up a remuneration committee according to the Code provisions B1.1-5 on 16 December 2005.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD MEETINGS

Number of Meetings and Directors' Attendance

Code Provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals.

The individual attendance record of each director at the meetings of the Board and the Audit Committee during the year ended 31 March 2006 is set out below:

Name of Directors	Attendance/Number of Meetings	
	Board	Audit Committee
Tsai Lai Wa, Jenny	0	N/A
Siu Edmund	4	N/A
Mao Yue	4	N/A
Lo Wing Yan, Emmy	1	2
Fu Wing Kwok, Ewing	4	4
Liang Kwong Lim	2	4

A. *Practices and Conduct of Meetings*

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors as soon as practicable before the meetings. The Company agrees that sufficient time should be given to the Board members in order to make proper decision. In these respects, the Company deviates to adopt a more feasible approach and yet sufficient time has been given in convening board meetings to ensure efficient and prompt management decisions could be made. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. *Chairlady and General Manager*

The Company fully supports the division of responsibility between the Chairlady of the Board and the General Manager to ensure a balance of power and authority.

The positions of the Chairlady and General Manager of the Company are held by Mrs. Tsai Lai Wa, Jenny and Ms. Bessie Siu respectively.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD MEETINGS *(Continued)*

B. *Chairlady and General Manager (Continued)*

The Chairlady provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the Company Secretary and the senior management, the Chairlady is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's day-to-day management and operations. The General Manager is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval. The Board considers that the responsibilities of the Chairlady and General Manager are clear and distinctive, therefore, written terms thereof are not necessary.

C. *Board Committees*

The Board has established 3 committees, namely, the nomination committee ("Nomination Committee"), remuneration committee ("Remuneration Committee") and audit committee ("Audit Committee"), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committee are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman/chairlady and members of each Board committee is set out under "Corporate Information" on page 2 to the Annual Report.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) *Nomination Committee*

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge and personal integrity of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

As of the date of report, the Nomination Committee comprises of two executive directors namely Ms. Siu Bessie (General Manager) and Ms. Mao Yue and one non-executive director namely Mr. Fu Wing Kwok, Ewing.

The Nomination Committee has not held any meeting during the year ended 31 March 2006. Up to the date of the Annual Report, the Nomination Committee reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD MEETINGS *(Continued)*

C. *Board Committees (Continued)*

(1) *Nomination Committee (Continued)*

In accordance with the Company's Memorandum and Articles of Association 87, directors shall retire by rotation and, being eligible, offer themselves for re-election at the next forthcoming annual general meeting of the Company. The Nomination Committee recommended the re-appointment of these directors standing for re-election at the said annual general meeting.

(2) *Remuneration Committee*

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets annually for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The Remuneration Committee shall consult the Chairlady and/or General Manager of the Company about these recommendations on remuneration policy and structure and remuneration packages.

As of the date of report, the Remuneration Committee comprises of two executive directors namely Ms. Siu Bessie (General Manager), Ms. Mao Yue and one non-executive directors namely Mr. Fu Wing Kowk, Ewing.

The Remuneration Committee has not held any meeting during the year ended 31 March 2006. Up to the date of the Annual Report, the Remuneration Committee reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management for the year under review.

Emolument Policy

The directors are paid fees in line with market practice. The Group adopted the following main principles of determining the directors' remuneration:

- No individual should determine his or her own remuneration.
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD MEETINGS *(Continued)*

C. *Board Committees (Continued)*

(3) Audit Committee

The Audit Committee comprises of three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:-

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor (if any) or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held 4 meetings during the year ended 31 March 2006 to review the financial results and reports, financial reporting and compliance procedures, and the re-appointment of the external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 March 2006 has been reviewed by the Audit Committee.

D. *Model Code for 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 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Own Code").

Specific enquiry has been made to all of the directors and they have confirmed that they have complied with the Own Code and Model Code throughout the year ended 31 March 2006.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who, because of such office or employment, are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD MEETINGS *(Continued)*

E. Shareholder Rights and Investor Relations

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Memorandum and Articles of Association. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairlady of the Board as well as the Chairman/Chairlady of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executive director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

INTERNAL CONTROL

The Company adopted the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1 April 2005 pursuant to the CG Code. As at the date of the Annual Report, the Board has reviewed the effectiveness of the system of internal control of the Group and is satisfied that the internal controls and accounting systems of the Group have been in place and function effectively.

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay any aggregate of approximately HK\$660,000 to the external auditors. During the year, the external auditors only perform the work of statutory audit and do not involved any non-audit assignment of the Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.