

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

This Corporate Governance Report presents the corporate governance matters during the period covering the financial year ended 31st March, 2006 and up to the date of the Annual Report (the “CG Period”).

During the CG Period, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Code”) were applied by the Company, and the relevant Code provisions were met by the Company, with the exception of two deviations as set out under sections (D) and (E) below. The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the following sections.

(B) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors of the Company, they have confirmed that they have complied with the Model Code.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors’ attendance

The Board comprises twelve Directors. Biographical details of Directors, relationship among Directors are disclosed in “Directors and Senior Management Profile” of the Annual Report. The Company’s Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four full board meetings were held during the CG period. Senior management executives may, from time to time, be invited to attend the board meetings for making presentation and/or answering any queries that may be raised by the Board. The composition of the Board and attendance of the Directors are set out below:

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Directors	Attendance at Meetings
<i>Chairman and Managing Director</i>	
Chua Nai Tuen	4
<i>Deputy Chairman</i>	
Chua Nai King	4
<i>Executive Director</i>	
Se Ying Kin	4
<i>Non-executive Directors</i>	
Siy Yap	2
Jimmy Siy Tiong	2
Luis Chua	2
Rene Siy Chua	2
Tsai Han Yung	2
Chan Man Hon, Eric	3
<i>Independent Non-executive Directors</i>	
Lee Man Ban	4
James L. Kwok	2
Wong Shek Keung	3

Each Director of the Company has been appointed on the strength of his calibre, experience and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses and adopted an appropriate reporting format in its interim report, annual report and other documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are briefed during Board Meetings to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive information on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely

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manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. Decisions on important matters, including those affecting the Group's strategic policies, major investments and funding decisions are specifically reserved to the Board whereas decisions on the Group's general operations are delegated to the management.

Moreover, the Company has maintained a procedure for its directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chua Nai Tuen serves as the Chairman and also the chief executive officer of the Company. This is a deviation from the Code Provision with respect to the roles of Chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals with three independent non-executive directors.

(E) NON-EXECUTIVE DIRECTORS

Pursuant to the Code Provision, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term but they are subject to retirement by rotation under the articles of association of the Company. The deviation is deemed appropriate as the retirement by rotation has given the Company's Shareholders the right to approve or disapprove the continuation of the service of non-executive directors.

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(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of three independent non-executive directors.

One Remuneration Committee meeting was held during the CG period. Attendance of the members is set out below:

Members	Attendance at Meeting
Mr. James L. Kwok (<i>Chairman</i>)	1
Mr. Wong Shek Keung	1
Mr. Chan Man Hon, Eric	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

- (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- (ii) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
- (v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and
- (vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

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The work performed by the Remuneration Committee during the CG period is summarized below:

- (i) review of the Company's policy and structure of all remuneration of Directors and senior management;
- (ii) consideration of the emoluments for all Directors and senior management; and
- (iii) review of the level of Directors' fees.

The basis of determining the emoluments payable to its Directors and senior management by the Company ties with their duties and responsibilities within the Group. The Directors' fees are from time to time approved by the Shareholders of the Company and they are regularly reviewed and compared with other listed companies in Hong Kong.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such committee are performed by the Board.

The Board is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman, Deputy Chairman and the Executive Director from time to time review the composition of the Board with particular regard to ensuring that there is appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and non-audit services provided by external auditors of the Company for the financial year ended 31st March, 2006 amounted to HK\$668,541 and HK\$60,000 respectively.

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(I) AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors and two non-executive directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr. Lee Man Ban has the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the CG period. Attendance of the Members is set out below:

Members	Attendance at Meeting
Mr. Lee Man Ban (<i>Chairman</i>)	3
Mr. James L. Kwok	1
Mr. Wong Shek Keung	2
Mr. Chan Man Hon, Eric	3
Mr. Tsai Han Yung	2

The terms of reference of the Audit Committee are aligned with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (ii) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

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- (iii) To review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (iv) to discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss; and
- (v) to review the audit programme, and ensure co-ordination with external auditor, of the internal audit function.

The work performed by the Audit Committee during the CG period is summarized below:

- (i) review of the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (ii) review of half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (iii) above regarding the duties of the Audit Committee;
- (iii) discussion with the external auditor, the nature and scope of the audit; and
- (iv) review of the group's internal control systems.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31st March, 2006, which give a true and fair view of the affairs and results of the Company and of the Group and in compliance with requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial year ended 31st March, 2006:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgments and estimates are made; and

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- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) REVIEW OF INTERNAL CONTROL

During the CG period, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

Chua Nai Tuen

Chairman and Managing Director

Hong Kong, 14th July, 2006