

INTRODUCTION

The Group is committed to achieving high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the Company's shareholders. To accomplish this, the Group has adopted practices which meet the Code as set out in Appendix 14 to the Listing Rules. During the year, the Company has complied with the Code except code provisions A.2.1 and A.4.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2006.

BOARD OF DIRECTORS

Currently the Board of Directors comprises the executive Chairman, the executive Vice-Chairman, two Executive Directors and three Independent Non-Executive Directors. The Board of Directors is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board of Directors meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board of Directors has delegated certain authorities to the senior management for the day-to-day management of the Group's operation. The attendance of Directors at the board meetings held during the year is as follows:

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Cheung Wai Tung (<i>Chairman</i>)	15/15
Mr. Chu Bong Foo (<i>Vice-Chairman</i>)	9/15
Mr. Wan Xiaolin	15/15
Mr. Henry Chang Manayan	5/15
Mr. Cheung Kam Shing, Terry (<i>Managing Director</i>) (<i>resigned on 28 December 2005</i>)	11/12
Independent Non-Executive Directors	
Mr. Lai Man To	11/15
Mr. Wang Tiao Chun	6/15
Mr. Joseph Lee Chennault	9/15

The Company has received the annual confirmation of independence from each of the Independent Non-Executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all Independent Non-Executive Directors to be independent.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference are aligned with the code provisions set out in the Code.

The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee consists of three Independent Non-Executive Directors. The Audit Committee is chaired by Mr. Lai Man To.

During the year, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements and unaudited interim financial statements.

During the year, the members and attendance of the meetings of the Audit Committee are as follows:

Directors	Attendance/Number of Meetings
Mr. Lai Man To	2/2
Mr. Wang Tiao Chun	2/2
Mr. Joseph Lee Chennault	1/2

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer (“CEO”) should be separated and should not be performed by the same individual. The Company does not at present have any officer with the title of “CEO” but instead the duties of a CEO are performed by Mr. Cheung Wai Tung, the Chairman of the Company in the same capacity as the CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

TERMS OF NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current Independent Non-Executive Directors of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-Executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Remuneration Committee of the Group has been established in November 2005 with written terms of reference in line with the Code. The Remuneration Committee will meet as and when necessary or as requested by any Committee member to consider and recommend to the Board the Group’s remuneration policy and structure and to review and determine the remuneration packages of the executive Directors and senior management. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company’s performance and current market situation.

The Remuneration Committee comprises two Independent Non-Executive Directors and one Executive Director. The Remuneration Committee is chaired by Mr. Lai Man To.

During the year, the Remuneration Committee held one meeting to review the remuneration policy of the Company. The members and attendance of the meeting are as follows:

Directors	Attendance/Number of Meeting
Mr. Lai Man To	1/1
Mr. Wan Xiaolin	1/1
Mr. Wang Tiao Chun	1/1

Details of emoluments of the Directors from the Group for the year are as disclosed in note 10(a) to the financial statements.

NOMINATION OF DIRECTORS

According to the Bye-Laws of the Company, the Board of Directors has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company. During the year, the Board of Directors considered that there was no immediate need to fill the casual vacancy left upon the resignation of a Executive Director.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2006, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Responsibilities and Remuneration

During the year, the audit fee for the Group amounted to approximately HK\$900,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Report of the Auditors on page 29.

Internal Control

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control which includes financial, operational and compliance controls and risk management functions for safeguarding the interests of the shareholders of the Company.