

### CORPORATE GOVERNANCE PRACTICES

The Company recognizes that maintaining good corporate governance is essential for enhancing shareholder value. The Company has complied with the code provisions of the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"), save for the deviations discussed below.

#### Directors' securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors (the "Model Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standards as set out in the Model Code during the year.

#### Board of directors

The Board is responsible for the formulation of strategies and control of the Group and for monitoring the performance of the management teams. The Board currently comprises of three executive directors, four non-executive directors and four independent non-executive directors. The names of the directors and their attendances are as follows:

	<b>Attendance</b>
<b>Executive directors</b>	
Xu Jin ( <i>appointed on 24 March 2006</i> )	0/29
Tong Cheehung, Richard ( <i>appointed on 24 March 2006</i> )	0/29
Ho Yau Shun ( <i>appointed on 23 January 2006</i> )	4/29
Cheung Tak Ming, Paul ( <i>appointed on 26 September 2005 and resigned on 23 January 2006</i> )	6/29
Chan Chun Hing ( <i>resigned on 19 April 2005</i> )	2/29
Lee Kwa Ching, Peter ( <i>appointed on 15 March 2005 and resigned on 10 May 2005</i> )	7/29

#### Non-Executive directors

Chan Ying Gi, Dorice ( <i>appointed on 19 April 2005</i> )	24/29
Chan Shu Wah ( <i>appointed on 19 October 2005</i> )	6/29
Kong Yick Ming	25/29
Lau Kin Hon ( <i>appointed on 19 April 2005</i> )	25/29
Lau Chi Kit, Edwin ( <i>resigned on 17 August 2005</i> )	12/29
Lai Yik Yee, Andona ( <i>appointed on 9 August 2005 and resigned on 19 October 2005</i> )	7/29
Hoon Wee Teng ( <i>retired on 23 September 2005</i> )	17/29
Zee Patrick ( <i>retired on 23 September 2005</i> )	17/29
Kok Zhi Yi, Katrina ( <i>resigned on 9 August 2005</i> )	12/29
Yau Sui Ki, Christie ( <i>resigned on 25 April 2005</i> )	3/29
Lee Lok Man ( <i>resigned on 27 April 2005</i> )	6/29
Leung Ka Cheuk ( <i>resigned on 27 April 2005</i> )	6/29

#### Independent non-executive directors

Yeung Po Chin ( <i>appointed on 26 September 2005</i> )	10/29
Ng Shiu Kwan ( <i>appointed on 14 February 2006</i> )	4/29
Chan Man Sum Ivan ( <i>appointed on 14 June 2006</i> )	N/A
Cheung Kiu Cho Vincent ( <i>appointed on 14 June 2006</i> )	N/A
Yim Kai Pung ( <i>appointed on 26 September 2005 and resigned on 14 June 2006</i> )	8/29
Leung Milton Kwan ( <i>appointed on 13 October 2005 and resigned on 10 February 2006</i> )	4/29
Fok Kam Chau, Peter ( <i>appointed on 1 April 2005 and retired on 23 September 2005</i> )	12/29
Wong Hui Ching, Jeffrey ( <i>appointed on 11 April 2005 and retired on 23 September 2005</i> )	13/29
Tso Hon Sai, Bosco ( <i>appointed on 31 May 2005 and retired on 23 September 2005</i> )	6/29
U Keng Tin ( <i>resigned on 19 April 2005</i> )	2/29
Lee Kwan Hung, Eddie ( <i>resigned on 23 April 2005</i> )	4/29

During the year 28 full board meetings were held. Notice of at least 14 days was not given to directors for regular board meetings during the year as required by Code Provision A.1.3. However due to the frequency of full board meeting held during the year, directors were given ample opportunities to attend board meetings.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The current chairman is Mr Xu Jin and the current chief executive officer is Mr Tong Cheehung, Richard. Currently the roles of the chairman and the chief executive officer are segregated and are not exercised by the same individual. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 30 September 2005 to 24 March 2006, Ms Chan Ying Gi, Dorice was the chairman and chief executive officer of the Company. The Company considers that the then arrangement provided strong leadership and enables the Company to formulate and implement policies and measures efficiently.

### **NON-EXECUTIVE DIRECTORS**

Non-executive directors are appointed for a fixed term of two years, subject to retirement and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

### **REMUNERATION OF DIRECTORS**

The roles and functions of the remuneration committee are principally advising the board on the policy and structure for remuneration of directors and senior management and on establishing a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The remuneration committee currently comprised of two independent non-executive directors, namely Mr Cheung Kiu Cho Vincent (Chairman) and Mr Chan Man Sum Ivan and one executive director, namely Mr Xu Jin. No meeting was held during the year under review due to the change in the composition of the committee.

The terms of reference of the remuneration committee is available on request but has not been included in the Company's website as required by Code Provision B.1.4 Notes 1 as the Company's website has not been updated. The Company will update its website to include the terms of reference of the remuneration committee as soon as the necessary resources are available.

### **NOMINATION OF DIRECTORS**

The Company does not have a nomination committee. All appointments of directors was determined by the board as a whole based on considerations including the vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

### **AUDITORS' REMUNERATION**

During the year under review, the auditors of the Group, Moores Rowland Mazars, received HK\$795,000 for audit services and HK\$110,000 for non-audit services provided to the Group.

### AUDIT COMMITTEE

The audit committee currently comprised of four independent non-executive directors. Four audit committee meetings were held during the year under review. The names of the committee members and their attendances are set out below:

	<b>Attendance</b>
Chan Man Sum Ivan ( <i>chairman</i> ) ( <i>appointed on 14 June 2006</i> )	N/A
Cheung Kiu Cho Vincent ( <i>appointed on 14 June 2006</i> )	N/A
Yeung Po Chin ( <i>appointed on 26 September 2005</i> )	2/4
Ng Shiu Kwan ( <i>appointed on 14 February 2006</i> )	0/4
Yim Kai Pung ( <i>then chairman</i> ) ( <i>appointed on 26 September 2005</i> <i>and resigned on 14 June 2006</i> )	2/4
Leung Milton Kwan ( <i>appointed on 13 October 2005 and</i> <i>resigned on 10 February 2006</i> )	0/4
Fok Kam Chau, Peter ( <i>then chairman</i> ) ( <i>appointed on 21 April 2005</i> <i>and retired on 23 September 2005</i> )	2/4
Hoon Wee Teng, Will ( <i>resigned on 22 July 2005</i> )	2/4
Wong Hui Ching, Jeffrey ( <i>appointed on 27 April 2005 and</i> <i>retired on 23 September 2005</i> )	2/4
Lau Kin Hon ( <i>appointed on 21 April 2005</i> <i>and resigned on 18 August 2005</i> )	2/4

The roles and functions of the audit committee are principally making recommendation to the board on the engagement of external auditors, reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

During the year under review, the audit committee reviewed the Company's annual results for the year ended on 31 March 2005 and the interim results for the six months ended on 30 September 2005.

The terms of reference of the audit committee is available on request but has not been included in the Company's website as required by Code Provision C.3.4 Notes 1 as the Company's website has not been updated. The Company will update its website to include the terms of reference of the audit committee as soon as the necessary resources are available.

### ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group. As stated in the auditors' report, the directors are currently undertaking and intend to take such measures detailed in note 3(a) to the financial statements to generate sufficient liquid funds to finance its operations and that it is appropriate to prepare the financial statements on a going concern basis. As detailed in note 3(a) to the financial statements, the Group is dependent upon the continued support of its creditors, banks and shareholders. Provided that the measures as detailed in note 3(a) to the financial statements can accomplish successful outcome, the directors are satisfied that the Group will be able to finance its operations and to meet in full its financial obligations as they fall due for the foreseeable future. However it is uncertain whether the measures as detailed in note 3(a) to the financial statements can accomplish successful outcome and it is uncertain whether the Group could obtain continuing support from its creditors, banks and shareholders. If the outcome turns out to be adverse, it may have significant potential adverse effect on the financial position of the Group and may in turn affect the going concern basis of the preparation of the financial statements.

The board has conducted an annual review of the effectiveness of the system of internal controls of the Company and its subsidiaries.