

## Corporate Governance Report

With the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "CG Code") coming into effect from 1 January 2005 to replace the then Appendix 14 of the Listing Rules, action has been taken by the Company to continue to raise the standard of its corporate governance. The Board of Directors is committed to maintaining good corporate governance standard and procedures which emphasize quality management, transparency and accountability to all shareholders. Saved as disclosed below, the Board is of the opinion that during the year under review, the Company has complied with the code provisions of the CG Code.

### A. DIRECTORS

#### A.1 The Board

The Board assumed the responsibility for leadership and control of the Company. All Directors are collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Company.

The Board is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Board meetings will be convened as and when necessary. Reasonable notices have been given to all the Directors generally prior to the meeting, except in case of emergency. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where Independent Non-Executive Directors who have no material interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board shall declare their interests therein in accordance with the articles of the Company, abstain from voting on the relevant resolutions and shall not be counted in the quorum present at that Board meeting.

Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Company Secretary assists the Chairman in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all meetings.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for review and comments before being approved by the Board. All minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

During the period from 1 April 2005 up to the date of this report, a total of eighteen full Board meetings were held by the Company to discuss the Group's development strategies, investments projects, the operational and financial performance of the Group as well as other general issues on the affairs of the Group. The attendance of Directors to the number of Board meetings held during the year under review or during their tenure of services is as follows:-

		Attendance
<b>Executive Directors</b>		
You Wei ( <i>Chairman</i> )	(appointed on 10 May 2006)	4/5
Ng Khai Wain ( <i>Chief Executive Officer</i> )	(appointed on 10 May 2006)	3/5
Yeung Kwok Leung	(appointed on 23 December 2005)	10/10
Szeto Chak Wah, Michael	(appointed during the period from 26 October 2005 to 27 April 2006)	8/9
Lai Man Leung	(appointed during the period from 26 October 2005 to 27 April 2006)	8/9
Zhao Lin	(appointed during the period from 5 July 2005 to 6 February 2006)	0/12
Hon Ming Kong	(Resigned on 31 October 2005)	6/6
Chan Tat Chee	(Resigned on 31 October 2005)	3/6
Lee Yu Leung	(Resigned on 31 October 2005)	6/6
Lin Hoi Kwong	(Resigned on 31 October 2005)	6/6
Loo Chung Keung, Steve	(Resigned on 26 October 2005)	3/5
Ting Pascal	(Resigned on 22 July 2005)	0/1
Chen Jun Nong	(Resigned on 6 May 2005)	0/0

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### Attendance

#### Non-Executive Directors

Li Yong, Alfa	(Resigned on 22 September 2005)	0/1
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#### Independent Non-Executive Directors

Albert Ho	(appointed on 10 May 2006)	3/3
Shane Phillips	(appointed on 10 May 2006)	2/3
Cai Zhixu	(appointed on 10 May 2006)	3/3
Tsoi Wai Kwong	(resigned on 10 May 2006)	10/15
Au Tin Fung	(appointed during the period from 23 December 2005 to 10 May 2006)	5/5
Law Mun Yee	(appointed during the period from 2 November 2005 to 27 April 2006)	5/7
Chong Yiu Kan, Sherman	(appointed during the period from 23 December 2005 to 27 April 2006)	3/5
Au Yeung Ka Cheung	(appointed during the period from 24 March 2005 to 27 October 2005)	3/6
Wong Tik Tung	(re-appointed during the period from 2 June 2005 to 30 September 2005)	0/1

### A.2 Chairman and Chief Executive Officer

The Company has segregated the roles of Chairman of the Board and Chief Executive Officer during the year ended 31 March 2006. The Chairman and the Chief Executive Officer have separation of power and duties, although the respective scope of duties and responsibilities have not been recorded in writing. It is the intention of the Board of Directors to adopt a written division of duties and responsibilities between Chairman of the Board and Chief Executive Officer, to clearly set out their respective roles. On 4 October 2005, Mr. Loo Chung Keung, Steve was appointed Chairman and Mr. Lin Hoi Kwong was appointed Chief Executive Officer of the Company. Mr. Loo and Mr. Lin resigned from their positions in the Company on 26 October 2005 and 31 October 2005, respectively. Since then, the Company has not appointed Chief Executive Officer until the appointment of Mr. Ng Khai Wain as a Chief Executive Officer on 29 June 2006. Mr. Szeto Chak Wah, Michael was appointed the Chairman during the period from 26 October 2005 to 27 April 2006. On 29 June 2006, Ms. You Wei was appointed the Chairman.

As the leader of the Board, Ms. You Wei is responsible for ensuring Board meetings are properly convened, conducted and constituted. She has to represent the Board between meetings, to make administrative decisions on behalf of the Board; to take whatever decisions that are delegated to her by the Board and to act as a conduit between the Board and the Chief Executive Officer. She also has to approve and supervise overall strategies and policies of the Group, business plans, evaluate the Company's performance and oversight the management as well as to perform any other duties as authorized by the Board from time to time.

Mr. Ng Khai Wain, being the Chief Executive Officer, acts as the highest-ranking executive in the Company. He is responsible for carrying out the policies of the Board on a day-to-day basis. He has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis. He meets and briefs the Chairman regularly, regarding strategic and emerging issues, current and projected performance highlights, any shareholder feedback or comments and any issue likely to have an effect on the organization internally or in the public eye.

### A.3 Board composition

The Board currently comprises six Directors, including three Executive Directors and three Independent Non-Executive Directors. The current composition of the Board is as follows:

#### Executive Directors

You Wei (*Chairman*)

Ng Khai Wain (*Chief Executive Officer*)

Yeung Kwok Leung

Chairman of the Remuneration Committee

#### Independent Non-Executive Directors

Albert Ho

Shane Phillips

Cai Zhixu

Chairman of the Audit Committee

Member of the Remuneration Committee

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Audit Committee

The Board fulfilled the requirement under rules 3.10(1) and (2) of the Listing Rules. It has three Independent Non-Executive Directors and has an Independent Non-Executive Director with appropriate professional accounting or financial management expertise. Mr. Albert Ho is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. All Independent Non-Executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

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The Company has received annual confirmations of independence from all Independent Non-Executive Directors and as at the date of this report still considers them to be independent.

The Board members do not have any family, financial or business relations with each other. Details of backgrounds and qualifications of the Chairman, the Chief Executive Officer and other Directors are set out on pages 8 to 10. The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

### A.4 Appointment, re-election and removal of directors

Under article 116 of the Articles of Association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. It is also provided in article 116 that the Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot, but the Directors were not required to retire by rotation at least once every three years.

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Article 99 of the Articles provides that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation.

Since the Board follows a formal, considered and transparent procedure for the appointment of new directors. The Board has not established a Nomination Committee for reviewing new appointments of directors, senior executives as well as management succession plans for executive directors and senior executives. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. As such, the Board do not consider that any committee should be formed. In addition, all candidates to be selected and appointed as a director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the year under review, the Board underwent a series of changes. The appointment of each newly appointed Directors has been properly approved by the Board.

## A.5 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the Listing Rules and relevant legislations will be arranged for all newly appointed Directors. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, Listing Rules and corporate governance practices.

Every Director is aware that he should give sufficient time and attention to the affairs of the Company.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Upon specific enquiry of the Company, Mr. Yeung Kwok Leung, a Director of the Company who was appointed during the year ended 31 March 2006, confirmed that he has complied with the Model Code for the year ended 31 March 2006. Except for Mr. Yeung, all other Directors of the Board were appointed after the year ended 31 March 2006 and all of them confirmed that they have complied with the Model Code since appointment.

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## A.6 Supply of and access to information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Prior notices of at least two (2) days in advance have been given to all Directors for Board meetings except in the case of emergency.

Members of the management have been reminded by the Company Secretary that they have an obligation to supply the Board and the board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management.

All Directors are entitled to have access to Board papers, minutes and related materials.

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### B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

#### B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 20 October 2005 in accordance with the CG Code but its terms of reference are still being prepared. During the year under review, the Remuneration Committee met three times. The existing members of the Remuneration Committee comprise Mr. Ng Khai Wain, the Chief Executive Officer and two independent non-executive Directors, Mr. Albert Ho and Mr. Cai Zhixu. Mr. Ng Khai Wain is the Chairman of the Remuneration Committee. All of them were appointed on 10 May 2006.

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration packages of Directors and senior management. The attendance of individual member to the number of Remuneration Committee meetings held since its establishment or during their tenure of services is as follows:-

	Number of meeting(s)
Mr. Ng Khai Wain	1/1
Mr. Albert Ho	1/1
Mr. Cai Zhixu	1/1
Ms. Law Mun Yee	2/2
Mr. Tsoi Wai Kwong	3/3
Mr. Au Tin Fung	1/1
Mr. Chong Yiu Kan, Sherman	1/1
Mr. Au Yeung Ka Cheung	1/1
Mr. Lin Hoi Kwong	1/2

Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing 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 Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors are responsible for presenting a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

As HLB Hodgson Impey Cheng ("HLB") resigned as auditors of the Company on 18 May 2006, the Company appointed Horwath Hong Kong CPA Limited ("Horwath") on 13 June 2006 to fill the casual vacancy created by HLB.

During the year, the remuneration of audit services provided by Horwath and non-audit services provided by HLB is set out as follows:

Annual Audit Fees	Fees paid/payable (HK\$'000)
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<b>Audit services</b>	
Horwath	650
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<b>Non-Audit services</b>	
HLB	
Accountants' Report on proposed acquisition of an investment	300
Accountants' Report on disposal of a subsidiary	160
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<b>Total:</b>	<b>1,110</b>
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The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out on pages 31 to 35 of the Annual Report.



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### C.2 Internal controls

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the shareholders are well protected and covered. The system of internal controls covers the areas of financial, operational, compliance and risk management of the Group's business.

### C.3 Audit Committee

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu, all of whom are Independent Non-Executive Directors of the Company. Mr. Albert Ho is the Chairman of the Audit Committee. All current Audit Committee members were appointed on 10 May 2006.

During the period from 1 April 2005 up to the date of this report, the Audit Committee met on five (5) occasions and discharged its responsibilities. Attendance of individual member at Audit Committee meeting during the year or their tenure of services:-

	Attendance/ Number of meeting(s)
Albert Ho	3/3
Shane Phillips	2/3
Cai Zhixu	3/3
Tsoi Wai Kwong	2/2
Au Tin Fung	1/1
Law Mun Yee	1/1
Chong Yiu Kan, Sherman	1/1
Loo Chung Keung, Steve	1/1
Au Yeung Ka Cheung	1/1
Wong Tik Tung	1/1

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management system, annual report and accounts and half-year report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

With the amendment of the Listing Rules which came into effect on 31 March 2004 and the introduction of the CG Code effective 1 January 2005, the Company is in the course of revising the then Terms of Reference of the Audit Committee.

The financial statements of this year has been reviewed by the Audit Committee.

## D. DELEGATION BY THE BOARD

### D.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

### D.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3) and the Remuneration Committee (as described under paragraph B.1), the Board has established a Management Committee and a Special Board Committee on 4 October 2005 and 31 October 2005, respectively.

The Management Committee, comprising Mr. Loo Chung Keung, Steve, Mr. Lin Hoi Kwong and Mr. Kam Yiu Shing, Tony, was formed to carry out the management function of the Board and to oversee and supervise the daily operation of the Company. It was dissolved on 31 October 2005.

The Management Committee, comprising Mr. Szeto Chak Wah, Michael and Mr. Lai Man Leung, was formed to review the existing financial and business positions of the Group. It was dissolved on 29 June 2006.

Though there are no specific written terms of reference for these board committees but their respective goals, duties and responsibilities have been discussed at the relevant Board of Directors' meetings and have been appropriately recorded.

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### E. COMMUNICATION WITH SHAREHOLDERS

#### E.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports, interim reports as well as announcements. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

At the 2005 annual general meeting, a separate resolution was proposed by the Chairman in respect of each issue to be considered by the meeting, including the re-election of Directors. At the forthcoming annual general meeting to be held on 25 August 2006, a separate resolution will be proposed by the Chairman in respect of each issue to be considered at that annual general meeting, including the re-election of Directors.

The Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee, or in their absence, another member of the relevant committee or any other appointed representatives, shall attend the forthcoming annual general meeting to answer questions of shareholders.

#### E.2 Voting by poll

The procedures for demanding a poll by the shareholders were incorporated in all circulars sent 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. Poll results will be published in newspapers on the business day following the shareholders' meetings and posted on the website of the Stock Exchange.