

Corporate Governance Report

The Board of Directors and management are committed to upholding the Group's obligations to shareholders, and maintaining a high standard of corporate governance practices, from which our shareholders will benefit ultimately. The Group will constantly review its practices and policies and ensure they remain relevant and practical in today's fast changing business environment and expectations.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted, applied and complied with the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2006 with the exception of certain deviations as further explained below:

Following a review of the Company's Bye-laws, the Directors noted that certain provisions of the Bye-laws of the Company are not in compliance with the recent changes in the Listing Rules.

- (1) Accordingly, the Directors proposed to amend the following Bye-laws at the forthcoming annual general meeting to incorporate the changes that are required under the revised Listing Rules.

Code Provision E.2.1 provides that pursuant to Rule 13.39(3) of the Listing Rules, the chairman of a general meeting of the Company and/or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. Accordingly, Bye-law 66 will be amended to reflect the provisions of Code Provision E.2.1.

Code Provision A.4.2 also provides that all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. Accordingly, Bye-law 86(2) will be amended to specify that any Director appointed to fill a casual vacancy shall hold office until the next following general meeting, instead of the next following annual general meeting.

Pursuant to Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, Bye-law 87(1) will be amended to specify that notwithstanding any other provisions in the Bye-laws of the Company, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than, instead of not greater than, one-third) shall retire from office by rotation. As a result of the said proposed amendment, every Director will be subject to retirement by rotation at least once every three years in compliance with the Code Provision A.4.2.

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- (2) Code Provision A.4.1 provides that non-executive Directors should be appointed for a specific term, and subject to re-election.

None of the existing independent non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, all independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. The Company has also received the confirmation of independence from each independent non-executive Director and has grounds to believe that they are independent 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 Provision.

THE BOARD OF DIRECTORS

The Board currently comprises ten executive Directors and three independent non-executive Directors. The details of the Directors of the Company during the year ended 31 March 2006 and up to the date of this report were set out on page 10.

Securities Transactions of Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by Directors and has adopted written guidelines no less exacting than the Model Code for application to senior management and designated person who might have access to price sensitive information of the Group.

Following enquiries by the Company, all Directors confirm that they have complied with the Model Code for the year ended 31 March 2006.

Roles of Chairman of the Board

The chairman is responsible for the operation of the Board, which is then principally responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored.

The Code Provision A.2.1 stipulates that the roles of chairman of the board and chief executive officer should be separated and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

In order to have a clear segregation of roles, the Board is currently led by the chairman of the Company, while the day-to-day management of the business operation of the Group is currently led by the general manager, other than the chairman, of the Group.

Board Meetings

The Board will hold at least two regular meetings each year to review and approve the annual and interim results of the Group. In addition, the Board will convene Board meetings when necessary to discuss or approve major matters during the year ended 31 March 2006, including the exercises of convertible notes by holders, change of auditors, and major transaction relating to acquisition of 30% interest in Greek Mythology. The Directors are allowed to obtain independent professional advice and service at the Company's expense, in addition to assistances from professionally qualified staff.

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The attendance of each Director at Board meetings during the year ended 31 March 2006 is as follows:

Directors	Attendance
Executive directors	
Mr. Chan King Ming	6/6
Mr. Chan Chi Yuen (appointed on 24 August 2005)	3/6
Mr. Lam Cheok Va, Francis (appointed on 24 August 2005)	3/6
Ms. Ng Wai Fong, Wendy (retired on 24 August 2005)	3/6
Ms. Leung Kwai Hing (retired on 24 August 2005)	3/6
Ms. Kam Shuk Ling (retired on 24 August 2005)	3/6
Mr. Lam Yiu Man, Lewis (retired on 24 August 2005)	3/6
Ms. Ching Mei Yee (retired on 24 August 2005)	3/6
Independent non-executive directors	
Mr. Chan Chiu Hung, Alex (appointed on 17 October 2005)	3/4
Mr. Ng Wai Hung, Raymond	4/4
Mr. Cham Yiu Keung (appointed on 24 August 2005 and resigned on 13 July 2006)	3/4
Mr. Wong Chi Keung (retired on 24 August 2005)	1/4
Mr. Yuen Xiaoxin (retired on 24 August 2005)	1/4

During the year ended 31 March 2006, two special general meetings in respect of the following events and other matters were held:

(1) *Change of Auditors*

CCIF CPA Limited was appointed as auditors of the Company, following the retirement of RSM Nelson Wheeler at 2005 annual general meeting, upon the passing of an ordinary resolution by the shareholders at the special general meeting held on 14 December 2005 and to hold office until the conclusion of the annual general meeting of the Company. RSM Nelson Wheeler was the auditors of the Company for the three years ended 31 March 2005. During the year, CCIF CPA Limited had provided non-audit services in the preparation for the Company's circular dated 17 February 2006 relating to acquisition of Greek Mythology. Auditors' remuneration is disclosed in note 5 to the financial statements.

(2) *Major Transaction Relating to Greek Mythology*

The Company announced on 8 November 2005 that it had agreed to purchase approximately 30% interest in Greek Mythology for HK\$2,056,572,380. Such consideration had been satisfied (i) as to HK\$601,850,273 by the issue of the consideration shares, being 1,074,732,630 Shares, at the issue price of HK\$0.56 per Share, and (ii) as to the balance of HK\$1,454,722,107 by the issue of a 10-year zero-interest promissory note by the Company. The shareholders passed the transaction at the special general meeting held on 13 March 2006.

The Company has complied with the requirements of the Listing Rules and the Bye-laws of the Company in respect of voting by poll by shareholders and other voting matters.

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BOARD COMMITTEES

Two committees, namely, audit committee and remuneration committee, were established under the Board to oversee particular aspects. The board has not established a nomination committee at the moment. For nomination of Directors, the nominee's qualifications, capabilities and potential to make contribution to the Company shall be taken into consideration. However, the Board will continue to review whether there is a need to establish a nomination committee to deal with the nomination. The committees are allowed to obtain independent professional advice and service at the Company's expense.

Audit committee

The audit committee comprises the three independent non-executive Directors. The audit committee established with specific written terms of reference, is mainly responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls. Mr. Chan Chiu Hung, Alex, who has substantial accounting experiences, is chairman of the audit committee. Mr. Wong Chi Keung had been the chairman of the audit committee, and retired on 24 August 2005.

Two audit committee meetings were held during the year ended 31 March 2006. The attendance of each member is set out as follows:

Members	Attendance
Mr. Chan Chiu Hung, Alex (appointed on 17 October 2005)	1/2
Mr. Ng Wai Hung, Raymond	2/2
Mr. Cham Yiu Keung (appointed on 24 August 2005 and resigned on 13 July 2006)	1/2
Mr. Wong Chi Keung (retired on 24 August 2005)	1/2
Mr. Yuen Xiaoxin (retired on 24 August 2005)	1/2

The chairman of the audit committee will report the findings and recommendations, if any, of the audit committee to the Board after each meeting. The audit committee confirmed there are no matters that need to be brought to the attention of the shareholders.

Remuneration committee

The remuneration committee comprises two independent non-executive Directors, and one executive Director. The remuneration committee established with specific written terms of reference, is principally responsible for reviewing and approving remuneration package for Directors and senior management. No Director or senior management will determine his own remuneration. Mr. Chan King Ming is chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the Board.

During the year, the remuneration committee convened one meeting and all members had attended the meeting.

COMMUNICATION WITH SHAREHOLDERS

In addition to publishing annual reports, interim reports, announcements or other public documents, the Board can effectively communicate with shareholders at the annual general meeting or other general meetings. Shareholders are encouraged to attend and participate at the meetings. During the year, the Company had held one annual general meeting and two special general meetings, at which the Directors was present to answer questions raised by the shareholders. The Company has also engaged public relations firm to establish external communications with shareholders and potential investors. The Company will also hold from time to time press conferences, analyst meetings and investor meetings to enhance communications.