

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is of the view that corporate governance is vital to the continued success of the Company and has therefore adopted various measures to ensure that a high standard of corporate governance is upheld. With effect from 1st January, 2005, the Company has applied the principal and complied with the requirements of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK") save and except certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. Yeung Kui Wong Mr. Hung Kwok Wa Mr. Lai Wing Chuen Ms. Yeung Ying Fong (Appointed on 28th September, 2005)
Non-Executive Directors	:	Mr. Paul Steven Wolansky Mr. Leung Ping Chung, Hermann (Alternate to Paul Steven Wolansky)
Independent Non-executive Director	:	Mr. Lau Tai Chim ("Mr. Lau") Mr. Tam Ping Kuen, Daniel ("Mr. Tam") Mr. Au Yeung Po Leung ("Mr. Au Yeung") (appointed on 2nd August, 2006) Mr. Lau Yau Cheung (appointed on 28th September, 2005 and resigned on 2nd August, 2006)

Mr. Lau and Mr. Tam have given an annual confirmation of their independence to the Company. Mr. Au Yeung has given his first confirmation of independence to the Company on 31st July, 2006 and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 30th April, 2006, 7 Board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of Board meetings attended in the financial year ended 30th April, 2006	Attendance rate
Mr. Yeung Kui Wong	7	100%
Mr. Hung Kwok Wa	6	85.7%
Mr. Lai Wing Chuen	7	100%
Ms. Yeung Ying Fong	3	100% (during appointment period)
Mr. Paul Steven Wolansky	attended by his alternate director	N/A
Mr. Leung Ping Chung, Hermann (Alternate to Paul Steven Wolansky)	6	85.7%
Mr. Lau Tai Chim	7	100%
Mr. Tam Ping Kuen, Daniel	7	100%
Mr. Lau Yau Cheung	3	100% (during appointment period)

The Board is responsible for the types of decision relating to the following aspects:

- formulation of operational the strategic direction of the Company;
- monitoring the financial performance of the Company;
- overseeing the performance of the management;
- ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed;
and
- setting the Company's values and standards.

while daily operation and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. At least 14 days notice of all Board meetings is given to all directors and they can include matters for discussion in the agenda if they think fit. The agenda accompanying board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following Board meeting. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Chairman and Chief Executive

Mr. Yeung Kui Wong is the chairman. Mr. Chui, Raymond Chi Keung, who has been the chief executive officer of the Company, has resigned with effect from 1st July, 2006. The Company has no such title as the chief executive officer currently and the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The balance of power and authority is ensured by the operations of the Board and the Board considers that the current structure will not impair the balance and authority between the board and the management of the Company.

Ms. Yeung Ying Fong is the daughter of Mr. Yeung Kui Wong.

Appointment and Re-election of Directors

Each of the executive directors has entered into a service agreement with the Company for a specific term which will continue for successive terms of one year until termination by either party subject to the terms of the service agreement. All independent non-executive directors have entered into an appointment letter with the Company for a specific term which may be extended as each director and the Company may agree in writing. The non-executive director is not appointed for a specific term. However, all the directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the articles of association of the Company (the "Articles of Association").

According to the Articles of Association of the Company (the "Articles of Association"), one third of the directors (or of the number is not multiple of three, then the number nearest to but not exceeding one third) shall retire from office by rotation at each annual general meeting and the chairman shall not be subject to retirement by rotation and any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The above practice deviates from the provision A.4.2 of the Code which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years. Having reviewed the relevant Articles of Association, the Board proposed to put forth a special resolution in the coming annual general meeting to amend the Articles of Association to comply with the said code provision.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 18th January, 2006 comprising three independent non-executive directors, Mr. Yeung Kui Wong and Mr. Leung Ping Chung, Hermann. Mr. Yeung Kui Wong is the chairman of the first meeting of the remuneration committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

- (1) To make recommendations to the Board on the Company's policy and structure for all remuneration of executive directors (except the Chairman of the Board) and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (2) To have the delegated responsibility to determine the specific remuneration package for all executive directors (except the Chairman of the Board) and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remunerations;

- (3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (4) To review and approve the compensation payable to executive directors (except the Chairman of the Board) and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (6) To ensure that no director or any of his associate is involved in deciding his own remuneration;
- (7) To advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under requirements from time to time published by The Stock Exchange of Hong Kong Limited, The Securities and Futures Commission of Hong Kong or/and as required by law; and
- (8) The Committee shall from time to time evaluate, and assess its duties and terms of reference and recommend any proposed changes to the Board for consideration and approval.

One meeting was held on 23rd August, 2006 and the Group's remuneration policy and remuneration packages of the directors were discussed. The attendance of each member is set out as follows:

Name of director	Number of meetings	Attendance rate
Mr. Yeung Kui Wong	1	100%
Mr. Leung Ping Chung, Hermann	1	100%
Mr. Lau Tai Chim	1	100%
Mr. Tam Ping Kuen, Daniel	1	100%
Mr. Au Yeung Po Leung	(by telephone) 1	100%

At the meeting held in August 2006, in performing its duties in accordance with its terms of reference, the work performed by the Remuneration Committee included:

- make recommendations on the Group's remuneration policy
- review and approve remuneration packages of the directors and senior management

The emolument payable to directors depends on their respective contractual terms under the service agreements, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 13 to the financial statements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 25 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal controls. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board reviews the effectiveness of the Group's material internal controls. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 26th November, 2002 and is currently comprising three independent non-executive directors. Mr. Lau Tai Chim is the chairman of the Audit Committee. All members have appropriate professional qualifications or accounting or related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The existing terms of the reference of the Audit Committee, its major role and functions are, amongst others, as follows:

- (1) to make recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (2) to review and monitor the external auditors' independence and objectivity and the effectiveness of the auditors process in accordance with applicable standard;
- (3) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;

- (4) to develop and implement policy on the engagement of the external auditors to provide non-audit services;
- (5) to review the Company's financial and accounting policies and practices;
- (6) to review the Company's financial controls, internal control and risk management systems;
- (7) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (8) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (9) where an internal audit function exists, to be involved in the recruitment of the internal auditors(s), to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the Internal audit function;
- (10) to monitor integrity of the interim and annual financial statements and interim and annual report and accounts, and to review significant financial reporting judgements contained in them before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustment resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;
- (11) to review the external auditors' management letter, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised;
- (12) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Qualified Accountant of the Company or auditors;
- (13) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (14) to report to the Board on the matters raised in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules; and
- (15) to consider other topics within the duties mentioned above as requested from time to time by the Board.

Two meetings were held in the financial year. The attendance of each member is set out as follows:

Name of director	Number of meetings attended in the financial year ended 30th April, 2006	Attendance rate
Mr. Lau Tai Chim	2	100%
Mr. Tam Ping Kuen, Daniel	2	100%
Mr. Lau Yau Cheung	1	100% (during appointment period)
Mr. Luo Ben Jin (retired on 28th September, 2005)	0	N/A

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- reviewed the financial reports for the year ended 30th April, 2005 and six months ended 30th October, 2005;
- reviewed the external auditors' statutory audit plan and engagement letter;
- reviewed the management letter from the external auditors in relation to the audit of the Company for the year ended 30th April, 2006;
- reviewed and recommended for approval by the Board the scope and fee of audit in 2005; and
- reviewed the effectiveness of internal control system of the Company.

AUDITORS' REMUNERATION

During the financial year ended 30th April, 2006, the remuneration paid to the Company's auditors, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable <i>(HK\$'000)</i>
Audit services	1,350
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	1,350
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